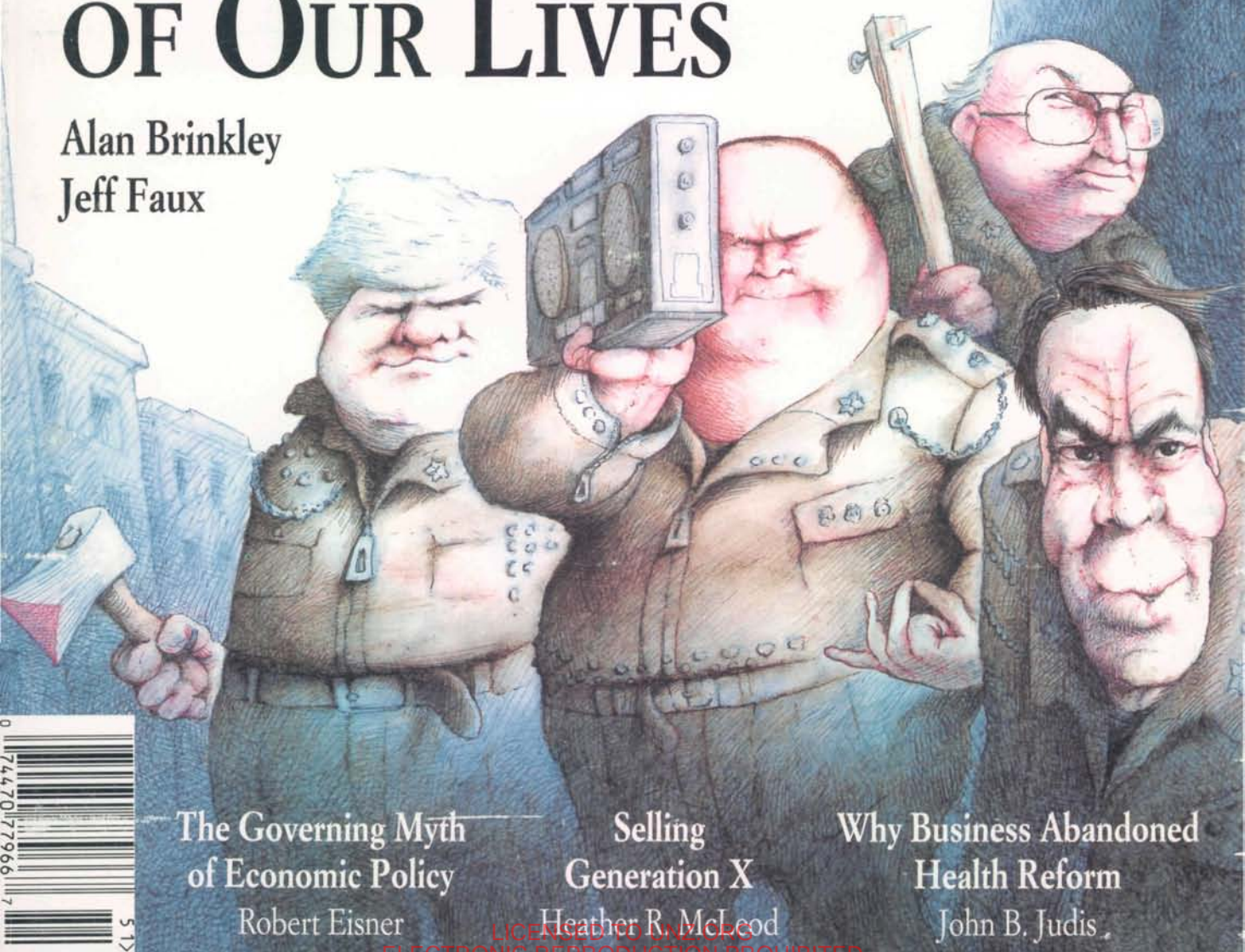


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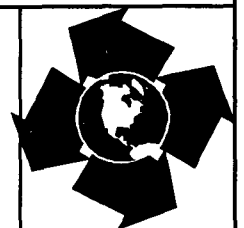
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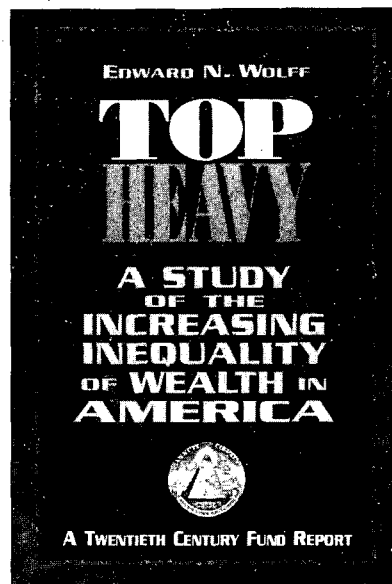
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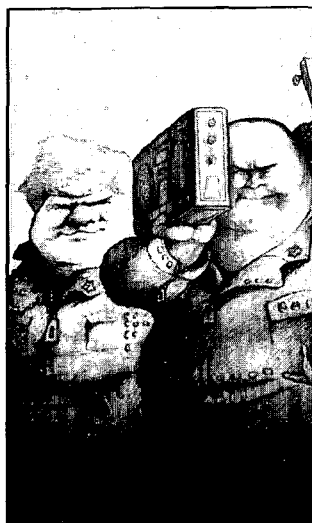
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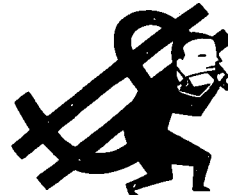
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The magazine's new visual look is the work of Ken Silvia, an award-winning designer based in Cambridge. The page size is slightly larger; the new typeface is Simoncini Garamond, and it is half a point larger than the original design, for easier reading. We will be featuring more variety in the style and length of article, and we've added several departments that should make the magazine even more timely and provocative than before.

We also welcome to our masthead a new chair of our board of directors, Hugh Westbrook, who is leading our efforts to increase our circulation and presence.

Many a good magazine dies in infancy. We have been able to succeed thanks to an extended circle of writers, discerning readers, generous financial backers, and a dedicated and talented staff. Let us know what you think of the new *American Prospect*, and continue to be part of the conversation.

PAUL STARR and ROBERT KUTTNER, editors

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PAUL STARR

# Who Owns the Future?

**T**hey claim to be riding a wave of historical change. The wave is global in its reach and unstoppable in its force. Those who get in the way are representatives of an old, obsolete order; they may put up a fight, but they will be beaten in the inevitable transformation.

So Newt Gingrich and other conservatives describe their movement and the fate of its opponents. If the picture sounds familiar, it is because it recalls other movements, notably Marxism, that claimed a mandate of historical inevitability as well as popular will. Just as Marxists consigned their liberal and social democratic opponents to the dustbins of history, so conservatives are now loudly and confidently doing the same. And just as many liberals lost self-confidence in the face of communism's triumphs in the first half of the twentieth century, so many have resignedly accepted the conservatives' claim to own the future.

The recent history of the future suggests skepticism. Many once-popular visions besides the future that Marx envisioned have proved ephemeral. In just the past few decades, Americans have elevated every twist of the zeitgeist into a new age. During the 1960s, many observers thought America was entering a post-materialist era; we had allegedly solved the problems of basic living standards and could afford to worry about long-ignored injustices and experiment with new lifestyles and states of consciousness. By the 1970s, the future had changed. Oil shortages and stagflation augured a new era of scarcity; extrapolating from the trends, social scientists predicted dire consequences in a decade or so from vanishing resources. Since then, the shortages have disappeared, commodity prices

have actually dropped, the information revolution has seized the imagination, and the future—that fickle child of our latest experience—has metamorphosed once again.

Political prognosticators have had the same penchant for overgeneralizing from the latest events. The Democrats' 1964 landslide showed the Republicans were finished; four years later Richard Nixon was elected president. In 1974 Watergate finished off the Republicans again, but six years later Ronald Reagan was elected president. Reagan's re-election in 1984 showed Republicans had a lock on the presidency; eight years later Bill Clinton was elected president. The 1994 election, now often described as a "landslide," was immediately endowed with transcendent historical significance. Actually, the Republicans barely won more than 50 percent of the popular vote for Congress and now enjoy the smallest majorities in Congress of any party in 40 years. The election was sobering and reveals powerful trends, but it scarcely discloses new iron laws of history or proves that the Democrats are incapable of recovering.

**W**ith some historical perspective, the lesson of recent years might more aptly be how quickly and dramatically things turn. Some of the groups and ideas now seen as part of the conservative ascendancy were only recently pronounced dead. A few years ago, no political cause seemed more out-of-date than right-wing Christian fundamentalism. Yet Pat Robertson's Christian Coalition now controls the Republican Party in several states and is widely identified as the most powerful grassroots movement in America. This is testimony to the power of an organized and highly motivated minority, not a widening and inevitable trend.

A few years ago, no view of race seemed more untouchable than genetic theories of group inferiority; no view of social policy seemed more antiquated than putting poor children in orphanages and cutting their mothers off from public assistance. Yet today Charles Murray, the champion of these positions, has a platform in respectable publications and is welcomed as a savant by Republicans in Congress who have embraced his views of welfare and orphanages.

In the realm of political ideas, the dead really can return. And if they have been dead long

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enough, they may even be heralded as fresh and innovative. Today, the forces of the nineteenth century are laying siege to the accomplishments of the twentieth century in the name of the twenty-first. In a great reversal of rhetoric, conservatives who used to stand squarely for tradition now posture as revolutionaries and cast liberals as the forces of the past. By calling for a series of amendments to the Constitution and the abolition of social programs, conservatives do indeed put liberals in the position of defending long-established political institutions and ideas. No group attacked from the rear can simply ignore the assault, but self-defense is not evidence of obsolescence. Rather than being stuck in the past, liberals have been engaged in a decade-long process of reshaping ideas and policies, reflected in the Clinton agenda and the efforts of many groups, including this magazine. The difference between conservatives and liberals is not a simple contrast between past and future. Liberals want to build on different traditions to create a different future from the one held out by conservatives. Nowhere is this more evident than in policies toward the role of government in the pursuit of national well-being.

### THE END OF THE WELFARE STATE?

The 1994 election, according to Gingrich, signaled the end of the welfare state. Yet he and the Republicans swear they have no intention of reducing Social Security—which is, of course, the very core of the welfare state.

A movement that genuinely reflected both popular will and the march of history should have no need of double-talk and subterfuge. But there is plenty of both in the conservative crusade against the welfare state. To the average American, “welfare” means handouts to the poor and does not include earned benefits such as Social Security. Thus, in everyday political parlance, Gingrich’s declarations about the end of the welfare state seem to have a narrow reference. In its broader, historical meaning, however, the welfare state includes not only Social Security pensions but also Medicare, unemployment insurance, disability insurance, workers’ compensation, and much else that Republicans do not publicly oppose. Gingrich the former history professor clearly has this broader meaning in mind when he talks about historical watersheds; Gingrich the politician then distances

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himself from the implications. In effect, the use of the term "welfare state" gives Gingrich what is known in Washington as "deniability." He can talk about epochal change and then say that only unscrupulous Democrats would unfairly attribute to him any intention to tamper with Social Security.

What the Republicans know they cannot accomplish through a frontal assault, they hope to accomplish through indirect means. As Philip Harvey, Theodore R. Marmor, and Jerry L. Mashaw argue in this issue, the Contract with America is a fiscal time bomb set to go off just after the turn of the century. To balance the budget, raise military spending, and avoid new taxes would require massive spending reductions, inevitably affecting Social Security and Medicare. If the Congress passes the Contract's new tax breaks ("backloaded" so their costs climb sharply after five years), the pressure would be even greater to undo social programs. Gingrich's strategy is clearly to create a crisis that will force Americans to accept measures they would otherwise be unwilling to swallow. It is strange how revolutionaries who believe their cause to be popular, just, and inevitable nonetheless find so much need to manipulate people into actions they don't want to take.

**C**onservatives have been rehearsing their case against the welfare state for decades; what is new is that they have succeeded in harnessing false analogies on behalf of the idea that their views are in step with contemporary history. Supposedly, there is a straight line between the fall of communism and what conservatives anticipate to be the fall of the welfare state. But this is nothing more than the old false charge that Social Security and Medicare were stalking horses for Moscow. Social Security and other welfare-state programs have not transferred the ownership of property or the planning of production into the public sector. They have provided people with security amid the risks and insecurities of capitalism, giving the system greater stability, softening its harsh edges, and spreading its benefits. The elderly have been its chief beneficiaries in the United States; indeed, the transformation of old age, which for millions used to be a sentence of poverty, has been the great glory of the welfare state. Just as important, welfare-state measures have reduced the severity of economic downturns and cushioned their impact. Spending on

unemployment insurance, food stamps, and other entitlements automatically increases when the economy slows down, and these "stabilizers" boost aggregate demand during recessions while helping people to cope with adversity.

Republicans have not directly criticized this stabilizing role of the welfare state. However, it would greatly diminish under their policies, which would cut entitlements for the poor and fold them into block grants to the states, with no provision for recessions. A balanced budget would also aggravate the severity of economic downturns. Instead of increasing, spending would have to fall as revenue declines. Taken as a whole, the Contract is a contract with trouble—a recipe for a future economic and social crisis. The destabilizing effects of conservative policies are one reason to be dubious about their inevitability. Their prospects depend not only on whether they are enacted but on whether they would prove durable.

Their prospects also depend on whether they would prove relevant to the economic problems that Americans face. Deep-rooted changes in the economy are now eroding the living standards of families with incomes below the median even during periods of economic growth. Globalization, deregulation, the decline of unions, and changes in technology and jobs have undermined labor's bargaining power. Conservatives attribute persistent poverty entirely to the failures of the welfare state, as if no changes in the economy had aggravated the conditions facing the poor. They have no response to the growth of market-driven inequalities; indeed, the regressive tax and spending measures they propose would only aggravate the pressures facing low-income Americans.

Similarly, conservatives have failed to recognize, much less respond to, the breakdown of the *private* welfare state. As more people work part-time or as independent contractors, fewer receive the health benefits and pensions that they formerly received from a job. The recent campaign for universal health insurance stemmed in part from the long-term decline in employment-based coverage. And while conservatives celebrate their victory, they have no remedy for the continuing shrinkage of occupational benefits.

Conservatives also seem oblivious to the social implications of the economic policies they favor. The anti-inflation policies pursued by the Federal



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Reserve and applauded by Gingrich and most other conservatives assume that unemployment much below 6 percent is an unacceptable risk. Yet welfare reforms proposed by conservatives assume that if poor families are cut off from benefits, they can find jobs. Even in the best times, a significant number of people will remain without work, unless the government provides it (which conservatives will not abide). And when unemployment hits 10 percent, as it will some day despite our best efforts, what then? It is one thing to promise blue skies, but it is another to refuse to provide your family an umbrella.

Conservatives may privatize government programs, but they cannot privatize public expectations. Since the Great Depression, Americans have expected the federal government to manage the economy. I will believe the conservatives have won when we are in a deep recession and the public agrees with conservatives that the federal government should do nothing about it, except cut spending.

#### DETERMINISM AND DEVOLUTION

The conservative claim to the future now also draws on a theory of sweeping social change. In this view, a new emerging civilization based on new technologies requires the devolution of economic and political power down to lower levels of government and to small business and individuals. The political argument is summed up in the line that the federal government is a "mainframe in a PC world." Supposedly, conservative policies reducing government are just the political software appropriate to this new world.

The most highly publicized version of the theory comes from Gingrich's court futurist, Alvin Toffler, who argues that a "third wave," comparable to the agricultural and industrial revolutions, is now transforming our civilization. In the second-wave industrial era, mass production, mass marketing, and mass communications went with big government bureaucracies. In the emerging third-wave era, the systems of production, marketing, communications, and government are all being broken up or "demassified." Toffler refers to big corporations as well as big government as "dinosaurs"—presumably headed for extinction.

There is something to be said for the general argument, and other people have said it with greater discrimination. In many industries, mass production is giving way to more customized and

flexible forms of production. The new information technologies do create a plethora of channels, breaking up the centralized control of broadcasting networks and telephone companies and encouraging more specialized, diverse, and decentralized communications. And the traditional bureaucratic model is giving way as the dominant paradigm of efficient organization.

But bigness per se is not disappearing; at least, big corporations sure don't look like they are on the verge of extinction. On the contrary, they continue to grow, merge, and consolidate into firms of astonishing global scale. If Gingrich has any doubts on this point, perhaps Rupert Murdoch can straighten him out on it the next time they get together to talk about royalties.

To be sure, many companies have been downsizing, and conservatives often say that just as the private sector has cut back, so must the federal government. The difficulty with this analogy is that corporations are downsizing not to do less, but to do more with fewer employees. In fact, as President Clinton points out, the federal government itself now has fewer employees than at any time since John F. Kennedy was in office. The administration's effort to "reinvent government" is aimed partly at reengineering agencies to provide better services more efficiently. That is the counterpart to private-sector downsizing.

**T**he idea that new technology dictates the shape of a new civilization and politics is replete with ironies. Just when the Marxian version of technological determinism had fallen into hopeless disrepute, Gingrich has picked it up from Toffler. Toffler's book *The Third Wave* repeatedly disparages the influence of political values or institutions; in his discussion of the second-wave industrial era, for example, Toffler frequently describes the Soviet Union and the United States as essentially the same—a view of the "convergence" or "equivalence" of industrial societies that, for good reason, used to be heresy to conservatives. Toffler also suggests that contemporary changes in the family are not evidence of decline but of a third-wave shift to "polymorphic" family structures—an intellectual residue of the 1960s that conservatives generally regard as morally obtuse. Conservatives have excoriated other writers for lesser sins, but the Gingrichites love Toffler because he gives them a rhetoric for labeling their lib-

eral opponents as obsolete defenders of a dying, second-wave civilization.

A close look at conservative policies to reduce government and devolve responsibilities on the states shows, however, that they have almost nothing to do with the Toffleresque logic of "demassification." The Contract with America does not actually pursue a consistent philosophy of devolution at all. The same Republicans who want to devolve welfare and education to the states want to shift products liability law to the federal government. They want to set new national requirements for the states in criminal sentences and the operation of prisons. In welfare reform itself, they want federal law to bar the states from providing assistance to various categories of poor people. In health care, they are unwilling to give states waivers from ERISA, the federal law governing private employee welfare plans.

The selective devolution they favor has little, if anything, to do with reducing national bureaucracy. Most of the programs in question are already run by the states; what they propose to abolish is national standards for programs that benefit poor people. States don't want to become magnets for the poor, so they will be under tremendous pressure to cut benefits—all the more so as federal funds decline. Republican enthusiasm for devolution is best understood not as "demassification," but as the old-fashioned avoidance of blame. For example, when House Republicans voted in February to abolish the federal school lunch program and nutrition assistance to women, infants, and children (WIC), they could say that they were not cutting food for the poor but just shifting responsibility to the states. In fact, under their program, the money for these purposes was being reduced and would have to be cut much more in years to come. But, then, it will be the states' responsibility to decide who won't eat.

The key element in these changes is the abolition of federal entitlements. In elite circles, the term "entitlement" has acquired a pejorative tone, but there is another way to look at it. Every entitlement, like every right, implies a corresponding obligation. When conservatives propose to abolish entitlements, they are talking about ending national obligations. Most of these obligations, it turns out, are to the poor and, more exactly, to poor children. The abolition of entitlements is not some

high-minded act on behalf of our children; it is, quite literally, a cancellation of national obligations to the most vulnerable children in our society. It is striking that the grand future of our conservative futurists has so little to do with the grim future of those children.

## THE FIGHT OF OUR LIVES

Half a century ago, drawing on accounts from anthropologists, the physiologist Walter B. Cannon coined the term "voodoo death" to describe how people subjected to curses or magical incantations in some cultures actually fell ill and died. One anthropological account cited by Cannon portrayed a victim of "bone-pointing":

The man who discovers that he is being boned . . . is indeed a pitiable sight. He stands aghast, with his eyes staring at the treacherous pointer, and with his hands lifted as though to ward off the lethal medium, which he imagines is pouring into his body. His cheeks blanch and his eyes become glassy. . . . He sways backward and falls to the ground. . . . From this time on he sickens and frets, refusing to eat and keeping aloof from the daily affairs of the tribe. Unless help is forthcoming in the shape of a counter-charm administered by the hands of the Nangarri, or medicine man, his death is only a matter of a comparatively short time.

Ever since the fall elections, some liberals and progressives have been acting like victims of voodoo death. They have accepted the curse pronounced on them, withdrawn from politics, sickened, and fretted. Counter-charms are unavailable; the only known remedy is for the victims to snap out of their trance, organize, and fight for what they believe in. As they used to say when labor was a movement, "Don't mourn, organize."

No laws of history lately discovered by right-wingers convey to them clear title to the future. Like the Marxists who once were sure their opponents would end up in history's dustbins, the conservatives are likely overestimating the trends in their favor, deceiving themselves about the popularity of their policies, and underestimating the damage that their coming to power may do to their own cause. But events will not inevitably humble them. It will take hard work from people who know that history is not on their side or anybody else's. □

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## GINGRICH VS. FREE TRADE

House Speaker Newt Gingrich deserves creativity points for coming up with a new reason to oppose the minimum wage. Not only will it kill jobs, the Speaker told the *Washington Post*, but it could give Mexico a competitive advantage in some industries. It's a curious argument coming from a man who, when campaigning for NAFTA, argued that Mexico's lower wages would *not* give it a competitive advantage. Perhaps what he really meant was that Mexico would not gain an advantage *as long as American wages continued to fall*.

## MANDATE MADNESS

Of the initial Republican Contract proposals, few had greater bipartisan support than the measure to limit the federal government's ability to impose upon the states "unfunded mandates," or any requirements that don't come with funding to cover their costs. Not only did most Democratic members of Congress—and the president—endorse the idea, but so did nearly all opinion makers. "It would simply require explicit majority votes in both houses to impose [unfunded mandates]. That can't be a bad idea," editorialized the *Washington Post*. The *New York Times* echoed, "Forcing Congress to reach a higher level of accountability cannot be a bad idea."

Can't it? While the new law does not ban unfunded man-

dates outright, it places in their path procedural hurdles that are not faced by other bills, reflecting the now-dominant view that unfunded mandates are somehow illegitimate.

Unfunded mandates simply require states to meet certain national standards. For instance, the federal government requires states to hold elections but it does not pay for them. It also forces states to pay their employees the minimum wage but doesn't subsidize their salaries. In fact, the unfunded mandate that sparked this revolt—the Motor Voter Law—had the vigorous support of many people who later endorsed the unfunded mandates legislation. The main effect of this reform will not be to open up the legislative process but to install a built-in anti-regulatory bias in congressional rules.

The real danger comes from another overlooked provision: a requirement that the Congressional Budget Office (CBO) estimate the costs not only of mandates on state governments but also on regulations affecting private industry. What's the problem with Congress knowing how much a regulation will cost before voting on it? First, CBO is the first to admit

that it usually cannot calculate such costs with any accuracy. The estimates depend heavily on the ideological assumptions undergirding them—and with the Republicans selecting the new CBO head, it's a safe bet they will tend to err on the high

side. Second, the new rules minimize the value of unquantifiable benefits. How do you calculate the financial value of clean air, or civil rights?

Finally, in the past CBO has been used to score only major initiatives, such as the budget or health care reform. Multiplying its workload will tie Congress up perpetually waiting for complex cost estimates, as well as overwhelm CBO with work—at a time when the Republican Congress is slashing the agency's modest budget.

As the past two years have shown, established interests and their allies already have plenty of ways of killing off new regulation. Putting new weapons in their hands can't be a good idea.

## WELFARE FOR BANKS, AGAIN

Remember direct lending? Originally promoted by Bush domestic policy advisor Charles Kolb, the idea was to replace the inordinately complex and costly system of guaranteed student loans, by which the federal gov-



ernment assumed the interest payments and credit risk for college loans. The guaranteed loan program cost the federal government \$6 billion in interest subsidies to banks in order to guarantee \$15 billion in loans in 1992. That's why in 1993 the Clinton administration embraced direct lending, which is expected to simplify the college loan process for students and save billions by eliminating subsidies to private lenders. After lending-industry lobbyists waged an epic struggle, Congress passed a compromise that would phase in direct lending over five years.

Now direct lending is under attack again. Congressman Bill Goodling, Republican of Pennsylvania and chairman of the House Committee on Economic and Educational Opportunities, disparages the effectiveness of direct lending. He praises the old guaranteed loan program—which was exonerated by the General Accounting Office for its inefficiency and astronomical default rates—as “one of the most successful” public-private sector partnerships. But just in case the college financial aid administrators who implement the programs don't agree with this assessment, he has submitted a bill that would cap the quota of schools that may participate in direct lending at 40 percent.

Is this a philosophical difference about the size of government, as Goodling and his allies have tried to portray it? Not quite. “A direct loan program will mean replacing the role currently played by many banks, guarantee agencies, and secondary markets with a much

more competitive approach,” wrote several Bush and Reagan administration Republicans in 1993. “We hope that as Congress considers direct loans it will look beyond the misleading information that is being spread by representatives of those entities who have a direct financial stake in preserving the status quo.”

The irony is that the guaranteed lending program many Republicans are fighting to restore represents big government at its worst: costly, bureaucratic, and dauntingly burdensome to those it tries to serve while funneling billions to businesses that the market doesn't support. Observes Joe Flader, staff aid to Tom Petri of Wisconsin, one of the few Republicans on Goodling's committee who has spoken out for direct lending, “Republicans don't have one shred of credibility as budget cutters if they're not willing to oppose this kind of corporate welfare.”

### GUNNING FOR SUPPORT

A recent National Rifle Association direct mailing solicits participation in a poll to show that its members are not to blame for violent crime. An excerpt:

“With your answers to the 1995 NRA TAG POLL, I'll have the ammo I need to STOP BATF harassment, KILL the gun and ammo taxes, KILL 'needs' based licensing, KILL the arsenal licenses, KILL gun owner fingerprinting and KILL gun bans.” [Capitals in original]

Get some ammo and KILL, KILL, KILL! No doubt the NRA is testing its members' devotion to nonviolence.

### WHERE DID HE GET THAT ECONOMICS DEGREE?

Senator Phil Gramm has a plan to end welfare. Instead of moving to “some made-up government job,” he told a group of Massachusetts Republicans, welfare recipients should find work in the private sector. How does he propose to do this when inner cities face chronic job shortages? Exempt welfare recipients from the minimum wage, and use government subsidies to make up the difference.

It doesn't seem to bother Gramm, a former economics professor, that this would cause many businesses to immediately fire their minimum-wage workers and hire former welfare recipients. An even greater problem is that employers would have no incentive to pay former welfare recipients the minimum wage, or, for that matter, any wage at all, if the government was willing to pick up the tab instead. Theoretically, with a labor cost of zero, it would be cheaper to hire a former welfare recipient to stand in the corner and hold coats than to buy a coat rack. But that's OK, just as long as it's not a made-up government job.

—Jonathan Chait

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"I am a true revolutionary. . . . They are the true reactionaries." —*Newt Gingrich*

## Revolutionary Parallels

*Several writers have noted similarities between the Tofflerian theory of historical waves embraced by Newt Gingrich and the Marxist theory of historical dialectics. [See Paul Starr, "Who Owns the Future?" p.6.] Consider these other parallels:*

**POLITICAL EPITHET:**

Bolsheviks: "Enemy of the people"  
Republicans: "Enemy of normal Americans"

**NEW DOGMA:**

Bolsheviks: Marx, via Lenin  
Republicans: Toffler, via Gingrich

**UNSTABLE COALITION ON THE ROAD TO POWER:**

Bolsheviks: Mensheviks and Bolsheviks  
Republicans: Neocons and Christian right

**ALL POWER TO:**

Bolsheviks: the Soviets!  
Republicans: the states!

**PREREVOLUTIONARY PROMISE:**

Bolsheviks: "Bread, Land, and Peace"  
Republicans: "No New Taxes"

**CLASS OF DESTINY:**

Bolsheviks: Proletariat  
Republicans: Entrepreneurs

**HATED PARASITE CLASS:**

Bolsheviks: Kulaks  
Republicans: Welfare mothers

**PENAL INSTITUTION:**

Bolsheviks: the Gulag  
Republicans: the Orphanage

**WORKING CLASS HERO:**

Bolsheviks: Stakhanov  
Republicans: Dickie Flatt

**POLITICAL REFORM NO LONGER NECESSARY AFTER PARTY TAKES POWER:**

Bolsheviks: Free elections  
Republicans: Term limits

**ARTS POLICY:**

Bolsheviks: Defund liberal bourgeois art elites  
Republicans: Defund liberal bourgeois art elites

**DISSIDENTS:**

Bolsheviks: Ex-Lenin advisor Leon Trotsky attacks party from Mexico  
Republicans: Ex-Bush advisor Michael Lind attacks party from *New York Review of Books*

**HISTORICAL REVISIONISM:**

Bolsheviks: Trotsky's picture removed from history books  
Republicans: Carrie Meek's speech removed from *Congressional Record*

**PARTY NEWSPAPER:**

Bolsheviks: *Pravda*  
Republicans: *Washington Times*

**PARTY VOTING:**

Bolsheviks: Unanimous  
Republicans: Unanimous

**SHADOW ORGANIZATION:**

Bolsheviks: Comintern  
Republicans: GOPAC

**PARTY LINE EMANATES FROM:**

Bolsheviks: the Kremlin  
Republicans: Bill Kristol's fax machine

**ORWELLIAN LANGUAGE:**

Bolsheviks: Little-known extremist minority calls itself "Bolsheviks," meaning "majority"  
Republicans: Little-known extremist manifesto described as "Contract With America"

**ABANDONED AGRICULTURE REFORM:**

Bolsheviks: Collective farming  
Republicans: Eliminating food stamps

**EMERGENT LEADER:**

Bolsheviks: Stalin, obscure Georgian  
Republicans: Gingrich, obscure Georgian

—*Jonathan Chait*



JONATHAN COHN

# Perrier in the Newsroom

*There was a day not far distant, you know, just before World War II, when nearly all of us news people, although perhaps white collar by profession, earned blue-collar salaries. We were part of the "common people." We suffered the same budgetary restraints, the same bureaucratic indignities, waited in the same lines, suffered the same bad service. We could identify with the average man because we were him.*

Walter Cronkite

**S**peaking to students at Rutgers University in 1993, President Clinton unveiled his plan to offer all Americans up to \$10,000 a year in college loans. The students, many struggling with rising tuition bills, roared with approval. The press contingent shrugged. As Steven Waldman recounts in his recent book *The Bill*, one reporter muttered, "Ten thousand dollars? What's that gonna buy you?" Quipped another, "Yeah, I mean it costs four thousand to send your kid to nursery school." The networks barely covered the speech, and the next day most of the major dailies buried it inside.

For at least a generation conservative politicians have accused the Washington press corps of being part of the liberal elite. The accusation is half right. Better educated and better paid than at any time in history, reporters and editors at America's major news institutions are members of the privileged class. Gone are the familiar blue-collar trappings of newspapering, and with them have frayed the bonds between reporters and working-class readers. Once the common man's watchdog over the establishment, the national media has become part of it.

But while Newt Gingrich has been the one registering this complaint lately, liberals have more reason to worry. If Washington's elite tend to champion most liberal cultural causes, their financial self-interest often translates into a conspicuous sympathy for conservative doctrines on economics and government activism. As long as this sensibility defines the boundaries of political debate

in the media, liberals will struggle in their attempt to promote an agenda of expanding economic opportunity for the working class—just as they did during the first two years of the Clinton administration.

**A**s recently as 25 years ago, journalism was still a predominantly blue-collar occupation, at least in spirit. Although college graduates were in the business as early as the turn of the century, not until the 1970s did they account for the majority. Even among those who had college degrees in generations past, there was still a high proportion of social misfits and underachievers—kids who were smart and made it to college, but couldn't quite cut it in a "real" profession like law or medicine. Describing his colleagues at the *Nashville Tennessean* in the 1950s, former *New York Times* man David Halberstam wrote in a recent issue of the *Columbia Journalism Review*:



There was nothing about us, in our past performances, in our personal style, in our dress code and our personal grooming that would lead anyone to think we were candidates to be Most Likely to Succeed. . . . The normally ambitious young men of our time—there were

no women in those days—wanted to make as much money as possible with as large a company as possible. We, by contrast, were doing something that not only paid very little in the present, but promised to pay not very much more in the future.

Of course, the modern newsrooms at the *Tennessean* and other lower circulation dailies are still a far cry from the fitness center at the National Press Club. At many small to mid-size newspapers, one still finds traces of grimmer days: Cub reporters still struggle to make \$20,000 a year, and they still prefer Bud to Perrier. Even at some of the larger papers, staff rarely make more than \$50,000—more than the national average, yes, but middle class by any definition.

The same can't be said of senior staff at the largest dailies, the newsweeklies, and the networks, where salaries can climb past \$100,000 and clever journalists parlay their visibility into lucrative speaking and television engagements. As Ken Auletta recently wrote in the *New Yorker*, celebrity journalists can double or even triple their base salaries solely through paid appearances: ABC News's Cokie Roberts, for example, made more than \$300,000 in outside income last year, or nearly ten times what the average American took home, according to Auletta.

A number of Washington media critics, chief among them the *Washington Post's* Howard Kurtz and the *Chicago Tribune's* Jim Warren, have hammered away at the honoraria issue for some time, with particular attention to how corporate speaking engagements can create conflicts of interest. Yet while the conflict-of-interest question has sparked some soul-searching within the media community, surprisingly few journalists seem conscious of the more subtle ways that celebrity status and salary inflation have tainted their worldview. Though these folks still consider themselves part of the "working press," they have no more to do with the working man than do the officials they cover. They inevitably live in such places as the Upper West Side or Bethesda, and send their kids to Groton Academy or maybe Sidwell Friends.

Legend has it reporters at the *Boston Globe* cheered when the stock market crashed in 1929; when it crashed in 1987, the story goes, they called their stockbrokers.

Many of today's high-profile reporters also came to Washington via a different route. A generation ago, even the most ambitious and well-educated young scribes cut their teeth on city beats at daily newspapers—an experience that could be as much an exercise in class awareness as an apprenticeship in writing. "It didn't matter who you were or what graduate degrees you were loaded with," recalls Pulitzer-winner J. Anthony Lukas of his stint covering cops for the *Baltimore Sun*. "That's where you started."

Now that routine has changed. Neiman Foundation curator Bill Kovach, a longtime *New York Times* man whose career began on a small daily in the South, sees too many of today's political correspondents jumping from prestigious clerkships or graduate schools right into Washington beats, many of them bypassing daily journalism altogether. "Guys like Halberstam or [Neil] Sheehan, they started by covering cops or went off as foreign correspondents,"

covering the war [in Vietnam] and getting to know the working-class kids in the trenches. The key is they had a prior democratic experience, and it changed their whole outlook."

To make matters worse, the new fast track screens out aspiring scribes who lack independent financial means. The breeding grounds for many Washington reporters, such as the *New Republic* or the *Washington Monthly*, now pay their entry-level writers anywhere from \$10,000 to \$13,000 a year; the same goes for internships at think tanks and other stepping-stone organizations. Though this bout with near-poverty can help breed working-class sympathy, it also has the perverse effect of attracting to the field primarily those people who don't owe college loans—but still went to college—and those who can get by with occasional cash stipends from Mom or Dad. (As the son of a surgeon who subsisted on such a salary at *The American Prospect* for two years, I speak from experience.)

Legend has it reporters at the *Boston Globe* cheered when the stock market crashed in 1929; when it crashed in 1987, they called their stockbrokers.

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Of course, not everyone who follows this route becomes a mouthpiece for the wealthy; exceptions such as *Washington Monthly* alumnus Nicholas Lemann, chronicler of poverty and author of *The Promised Land*, come quickly to mind. But the cumulative effect of these trends has been the creation of an elite class of reporters with a conspicuously upper-middle-class sympathy. Sometimes this instinct manifests itself as a sympathy for liberal causes such as abortion rights, gay rights, and the like. But the same bias also expresses itself as an uncritical faith in conservative doctrines about inflation, trade, taxes, and government spending, and it is these attitudes that most directly shaped the coverage of politics during the first two years of the Clinton administration.

**O**ne vivid illustration was the coverage of the North American Free Trade Agreement (NAFTA). Whether or not the treaty was in the nation's best interests, it threatened the short-term employment prospects of thousands of American workers. Yet, as Howard Kurtz has argued in the *Post*, the vast majority of stories on the issue treated projections of job losses as just more abstract studies to be cited as context and then dispelled by experts. When NAFTA was in trouble on Capitol Hill, most political reporters played it as just another case of parochial legislators, beholden to labor unions, looking to cripple a visionary initiative. "Most journalists simply don't know personally anybody whose job might have been threatened by NAFTA," says Kurtz, who has been a lone but persistent critic of elite journalism for years. "Journalists get real upset when a handful of jobs are lost at a newspaper, but when it's factory workers in the Midwest, it's easy to treat it as just another statistic."

The coverage of NAFTA, with its heavy reliance on economists as experts, was indicative of another problem. Elite journalists who are more comfortable in the lecture hall than the precinct house often rely on professorial talking heads. By magnificent coincidence, these authorities often validate the writers' own analytical theories and make it unnecessary for them to bother with the traditional, on-the-ground reporting that might encourage a working-class perspective. News is treated in the abstract; reporters inquire what it means for the system, not for the people.

A more blatant pattern of class bias—one that

more clearly worked to the Clinton administration's disadvantage—emerged in the debates over the 1993 budget. Recall that while the president proposed to raise some \$305 billion in taxes, nearly all of it was to come from the very wealthy. For 15 million working Americans he offered a tax break (in the form of an expanded earned income tax credit); the middle class would pay an energy tax costing the average family only \$200 a year. The gas tax was eventually reduced to a pittance, yet polls show as many as 70 percent of Americans still think Clinton raised taxes on the middle class.

The *New Republic's* Michael Kinsley, among others, has suggested that the nation's intellectual and media elite may have been the source of this misconception; after all, many of them were among the 1.2 percent of Americans hit by the income tax hike. That would certainly explain the cover of *Newsweek* on March 1, 1993. Following the president's budget speech, the editors ran a cover with the words "tax," "spend," and "cut" stacked on top of each other. No problem there, perhaps, except that the word "tax" ran in 286-point type, or about four inches high and extending across the entire page. The word "cut" appeared in 36-point type, which is less than half an inch high and barely an inch wide. Clinton had actually promised spending cuts of \$270 billion, and only households making more than \$140,000 a year faced increased income tax rates. Is it any wonder millions of *Newsweek* readers—and many others who spotted the cover in bookstores or the supermarket—came away with a different impression? The cover may not have represented a deliberate attempt to skew the debate, but it sure sheds some light on the media's class instincts.

The same can be said for the press's obsession with entitlements and the deficit, which helped stymie the administration's early attempts to increase public investment. Serious and respected economists, including former Nixon adviser Herbert Stein, dispute whether our current deficits are too high, but the press has measured every Clinton initiative by its likely impact on the deficit. Even when Clinton has managed to bring down the deficit, reporters have turned to a different litmus test—his ability to control Social Security, Medicare, and Medicaid—while paying scant attention to other deficit-reducing alternatives. "You have a lot of reporters talking about getting entitlements under control," says one correspon-

dent. "You don't hear them talking about getting rid of the home mortgage deduction."

Health care coverage, too, fell prey to this mentality. "I defy you to ask any reporter to name five

**'You  
don't hear  
[reporters]  
talking  
about get-  
ting rid of  
the home  
mortgage  
deduction.'**

people he knows who don't have health insurance or even some who might lose it," steams political svengali James Carville. Indeed, it often seemed that the press establishment's primary concern was whether the blue-chip coverage of most reporters might suffer under reform. After a taping of *Meet the Press* early in the legislative process, NBC correspondents Tim Russert and Lisa Myers were overheard speculating that the Clinton plan would fail. Why, they

reportedly asked, would people want to give up choice of doctor? (Myers says she can't recall whether the conversation took place; Russert didn't return phone calls.) The same questions dogged the Clinton plan throughout the health care debate, providing yet more grist for the opponents of reform.

But for a majority of Americans, the Clinton plan would have expanded options. Employers are now shifting their workers into health maintenance organizations and preferred provider plans that limit their choice of doctor, and about half of employees who receive health benefits have no choice of plan. The Clinton proposal, in contrast, would have guaranteed Americans access to a broad slate of plans in their communities, including fee-for-service options that many are now losing entirely. It would have required HMOs to offer partial coverage of specialists outside their own list of doctors (which HMOs do not have to offer today). Myers points to polls that showed most Americans were worried about choice too, and she's right. But it's the media's responsibility to dispel such misconceptions, not to perpetuate them.

**N**ow and again prominent journalists still manage to crash through class barriers; Jason DeParle's recent cover story for the *New York Times Magazine* on the day-to-day life

of a welfare mother was perhaps the most honest treatment of the welfare issue to appear in a national publication in years. But promoting such coverage is difficult because other trends in the media business reinforce the gentrification of news. As newspapers use zoned editions to cultivate affluent suburban readers, the pressure to cater to that audience grows stronger. Omnipresent, too, are the fiscally conservative sentiments of corporate advertisers and media chain moguls.

Yet it is not the publishers but the editors and writers who make most of the daily calls on content and the framing of coverage; the power to right the pro-establishment tilt remains theirs. Most journalists, of course, don't like to think of themselves as *anybody's* advocate. But that's most likely because advocacy of elite interests comes so easily that it scarcely seems like bias at all. Media executives constantly wonder why so many poor or working-class Americans would rather watch the distortions of trash television than pick up a newspaper. Perhaps it's because many of these people no longer see the front page as true to their experience. □

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EDWARD S. HERMAN

# Clinton's Not-so-Good Deeds

**R**ichard Rothstein may be right that Clinton is the best liberals can hope for in our present institutional environment ("Friends of Bill?" *TAP*, Winter 1995, Number 20), but many who have fallen away from Clinton feel that he failed to test the potential of liberalism and populism, and in so doing contributed decisively to the 1994 electoral fiasco. Instead of giving high priority to serving and building up a popular constituency, Clinton quickly retreated to placating business and the right. His major policy moves, designed to curry favor with the bond market and transnational corporations, weakened his ability to serve ordinary citizens. While he did better for ordinary people than Reagan or Bush did, he didn't do much, and their position continued to deteriorate. It was these policy choices, along with business's continued preference for the even more accommodating Republicans, that explain Clinton's political decline.

It is curious that Rothstein treats the Democratic Leadership Council (and New Democrats) kindly, when it was the New Democrats who immediately went after Clinton and helped force his quick abandonment of a stimulus program. Somehow their defection does not bother him as much as subsequent liberal criticism and ambivalence. Rothstein uncritically accepts the DLC's self-serving claim that their program aims to "build majorities." In reality, their policies have been well aligned to the demands of the bond market and the DLC's corporate donors, and the voter

response to the candidates who most closely followed their agenda—Sasser, McCurdy, and Cooper; and earlier, Mondale and Dukakis—has been abysmal. Rothstein states that Clinton may have invited electoral repudiation in 1994 by moving to the left, as mainstream pundits have suggested. Yet critical Democratic defections were of disenchanted lower-income and middle-class voters whose standards of living were stagnant or declining. Apparently they didn't understand the extent of Clinton's good deeds, either.

A telling omission from Rothstein's list of good deeds is the North American Free Trade Agreement. Getting NAFTA enacted was a huge preoccupation of Clinton for which he expended much time and political capital. In pursuing this project he had to fight his own party and the opposition of his mass constituency: His support was in the business community and the DLC. (Was this helping to "build majorities?") Meanwhile, Rothstein defends Clinton's handling of the Lani Guinier nomination on the grounds that Senator Joseph Biden and 24 Democratic senators told Clinton the nomination was dead. But this was after Clinton had signalled a limited commitment to her candidacy. The difference from his willingness to invest time and political capital in the case of NAFTA reveals a priority system that Rothstein fails to confront and evaluate.

Rothstein lists cutting federal deficits in half as one of Clinton's accomplishments, but deficit-cutting is a conservative objective, pressed on



Clinton by the financial community, and it was done at the expense of policies that would have

Somehow the defection of New Democrats is tolerable; subsequent liberal criticism and ambivalence are not.

produced higher employment and greater investment in infrastructure and people. Rothstein also lists "crime prevention measures and new funding for community policing in the crime bill," despite the fact that the crime bill as a whole is profoundly illiberal and displays the worst kind of presidential opportunism and catering to stoked hys-

teria. On Rothstein's logic, the recent provision of \$5 million for the homeless by the Pennsylvania legislature was liberal, although it was part of a bill that drastically cut welfare benefits and knowingly contributed to greater homelessness.

Rothstein's list of good deeds also fails to weigh them by importance. He ignores funding levels that make some actions symbolic and omits consideration of foregone alternatives. Where also is the list of bad deeds for us to weigh against the good ones? He fails to mention the military budget, which Clinton has protected to a remarkable degree and which absorbs large resources that could contribute to a liberal policy of putting people first.

There is a certain illogic in Rothstein's view of the proper role of liberals. He does not deny that conservative and business pressure pushes Clinton policies toward the right, but liberal-left counter-pressure for some reason can't push Clinton toward populism. This makes no sense, except on the assumption that Clinton's positions are invariably as far left as is possible so that full liberal support for each of them is an optimal strategy. This is nonsense, and several analysts of environmental policy have argued the opposite: namely, that uncritical support of "our" Clinton-Gore-Babitt team paralyzed many environmental organizations and weakened pressure that would have tempered excessive accommodation to cattle-raising, mining, and logging interests.

Rothstein also misreads the dynamics of liberal

criticism. For example, he notes that Franklin Roosevelt took years to develop a policy of antifascist resistance, so why should we expect Clinton not to take time to develop a sound Haiti policy? But liberals first had to confront Clinton's continuation of the Bush policy of seizing and returning all Haitian refugees to Haiti, in blatant violation of Clinton's campaign position as well as elemental decency. Were liberals supposed to maintain silence on the ground that Clinton was our last best hope? Insofar as his policies slowly improved, was this not at least partly a result of liberal anger and disapproval?

There is in fact a strong element of authoritarian "democratic centralism" in Rothstein's political position. He doesn't see policies on his side emerging out of the give-and-take of a wide spectrum of liberal interests: Once the leader has spoken, even if responding only to judgments of politically motivated insiders (and "the market"), the cadres on his side should shoulder arms and fall in behind the leader. An exception is made of New Democrats attacking and pushing Clinton toward sound policies like deficit reduction that will "build majorities." The attitude is unhealthy, just as the case made for the steadily wise and truly liberal choices of the maximum leader is weak.

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#### RICHARD ROTHSTEIN RESPONDS:

**E**dward Herman's view that my plea for liberals to circle their wagons around Clinton's beleaguered presidency smacks of "authoritarian 'democratic centralism'" is precisely the debility I bemoaned. Habits of confrontational opposition, developed over 30 years, have made liberals incapable of the compromise now required to assemble liberal majorities with a minority presidency.

Nowhere does Herman hint awareness that Clinton came to office with only a 43 percent plurality while Ross Perot and George Bush split an anti-liberal majority, or that a Republican and conservative Democratic coalition either defeated or gutted virtually every effort Clinton made to promote liberal initiatives, like the stimulus program and his oft-mocked social "investments." Perhaps Herman believes that the only accommodations Clinton should have made to this conservative majority were painless ones.

Clinton, Herman argues, “failed to test the potential of liberalism and populism.” But Clinton did “test” this potential with several initiatives, chief among them his effort to provide universal health care coverage. Perhaps foolhardily, he “tested” a potential for liberal reform that, it turned out, was chimerical. Discussion of the health care debacle is conspicuously absent from Herman’s critique. I don’t know what position Ed Herman took during the health care debate, but many liberals withheld enthusiasm from Clinton’s plan and only half-heartedly defended it against assaults from the right, clinging to the fantasy that Canadian-style alternatives would emerge if only Bill Clinton had the courage to campaign for them.

Herman asserts that “deficit-cutting is a conservative objective, pressed on Clinton by the financial community.” Perhaps Herman’s post-Keynesian economic theory argues that deficits should never be cut, even during economic expansion. Perhaps permanent deficits will not reduce flexibility for counter-cyclical initiatives during future recessions. However, liberals did not make these arguments in the 1980s when Republicans controlled the presidency. We attacked Reaganomics for failing to expand public investment and shrink deficits simultaneously.

Herman states that deficit reduction comes at the expense of higher employment. But, in fact, our economic crisis has more to do with growth’s composition than its magnitude. (And furthermore, the Federal Reserve Board, to which Clinton has had only two appointments, stubbornly tightens the money supply to offset the stimulus of any deficits it regards as excessive.) Our big problem is not growth but lagging real minimum wages, inadequate health coverage, paltry investments in infrastructure and education, a deregulated labor market, and infatuation with free trade (which also produces growth at the expense of equity). I myself regret Clinton’s insufficient attention to the last point, but on others he’s waged valiant, but losing, battles against conservatives.

Herman blames Clinton because he didn’t fight for Lani Guinier as hard as he later fought for NAFTA. Putting aside the merits of Clinton’s NAFTA position (I, for one, had some disagreements), Clinton pushed it because there was a majority that he could mobilize and win. Clinton withdrew Guinier’s nomination only after liberal

senators asked him to do so, hoping to avoid giving Republicans a race weapon in their 1994 re-election campaigns. Does Herman think Clinton could have pulled off a NAFTA-like coup for Guinier? Could he have won conservative votes to replace those lost when liberals abandoned her?

Compare l’affaire Guinier to Newt Gingrich’s quick dump of Christina Jeffries, his friend and appointed House “historian” who had argued that Nazi and Klan perspectives should be included in Holocaust curricula. Gingrich determined that continued attention to Jeffries would distract Americans from his agenda, so despite friendship and sympathy for her views, Gingrich sacrificed her. Not a peep of protest, criticism, or denunciation came from conservatives who share Jeffries’s instincts. Their priorities were clear: They would rather not sacrifice the opportunity to destroy the welfare state for hopeless symbolic fights. Call it authoritarian democratic centralism if you will; it’s a tragedy that liberals lack similar self-discipline.

Perhaps my distress about liberal Clinton critics stems from experience as a Californian who’s observed a decade-long ballot attack on government, recent enthusiasm for an anti-immigrant initiative, and overwhelming voter repudiation of a single-payer plan. I now brace for a forthcoming likely-to-succeed ballot proposal to stir the racist pot with a ban on affirmative action. I do

The American people today are not in a populist and egalitarian mood, just waiting to be galvanized.

not believe that the American people today are in a populist and egalitarian mood, just waiting to be galvanized if only Bill Clinton would provide leadership. On the contrary, I think we now partake in worldwide reaction against mid-twentieth-century reforms. I pray this reaction plays itself out soon. But until that occurs, greater support for and defense of the Clinton presidency is one way to retard the rightward march. □



## NUCLEAR SCARE

To the Editors:

The end of the Cold War has provided scholars with a remarkable opportunity to study in detail the many facets of the Soviet-American military confrontation. Professors Purcell and Galbraith have taken advantage of a newly declassified document about a Net Evaluation Subcommittee (NESC) briefing to President Kennedy to raise questions about American nuclear policy and war planning during one of the periods of greatest Cold War tension, the 1961 Berlin Crisis.

Unfortunately, their essay is an ill-informed and amateurish effort that takes an ambiguous single-page summary of a National Security Council meeting and attempts to concoct a cataclysmic plot: possible U.S. preparations for a first strike on the USSR in 1963. Although the authors' interest in first-strike proposals is not misdirected, their interpretation would be plausible if this document and only this document had been available fifteen years ago before major declassification efforts brought about the release of large amounts of Truman, Eisenhower, and Kennedy-era nuclear policy documents and military planning papers. Today, however, with even more documents available—including declassified formerly top-secret government histories of the Berlin Crisis and the strategic arms competition—their interpretation is unfounded and from a scholarly point of view, egregiously irresponsible. Finding one document in a file and building a case for it without examining the larger archival record is an abuse of sound historical methodology and frankly appears—especially in light of the NPR *All Things Considered* coverage of the article—a blatant effort at headline grabbing.

The truth of Kennedy administra-

tion nuclear planning is by no means transparent but it is clear that the document that Professors Purcell and Galbraith have chosen to sensationalize is merely a part of a long-term, complex planning and assessment process that began in the 1940s and continues in the U.S. national security structure to this day. There are so many things wrong with their essay that we hesitate to point out individual points of error for fear of writing an even longer paper than Purcell's and Galbraith's original essay. Fortunately, one of the undersigned (David Alan Rosenberg) has written a series of essays and monographs going back some fifteen years that elucidates key issues and the larger context for the American role in the nuclear arms competition. However, in the interest of aiding the readers of *The American Prospect* in understanding the problems inherent in this essay, we offer the following specific points to put the document in proper perspective.

■ The document is from Vice President Lyndon Johnson's National Security File, at the LBJ Library. That library is a remarkable archive, but any serious research on the early 1960s must begin at the National Archives and especially the John F. Kennedy Library in Boston. The latter, while notoriously slow at opening national security files, has nevertheless yielded a great deal of material on the larger foreign and military context of the summer of 1961 and subsequently. Resort to the published record of the U.S. diplomacy, Foreign Relations of the United States, including the volumes on the Berlin Crisis that Galbraith and Purcell cite, is by no means enough to understand this period.

■ The authors claim that a preemptive strike against the Soviet Union did not become an important military option until 1957 but give no source for

that claim. However, declassified documents available and published since the early 1980s show that by 1950 the U.S. Joint Chiefs of Staff were giving first priority to "blunting" missions designed to destroy Soviet nuclear capabilities—essentially a preemptive approach. This mission continued into the 1960s.

■ The authors suggest that the July 20, 1961 briefing was the first NESC briefing received by a U.S. president about the results of a hypothetical nuclear war. This is incorrect. President Eisenhower had been receiving a form of annual net assessment briefings on outcomes of a nuclear war since the mid-1950s and NESC had been in business since 1958. The process continued through the early 1960s until President Johnson dissolved the committee.

■ The authors are confusing a grim bureaucratic routine with the intentions and preparations of civilian and military policymakers. The NESC's responsibility was not to prepare "calendars" or timetables for nuclear war. Its work was analytical in nature: "to provide integrated evaluations of the net capabilities of the USSR, in the event of general war, to inflict direct injury upon the continental United States" as well as to project the impact of U.S. preemptive or retaliatory attacks upon the Soviet Union. NESC's charter did not include recommendations for war or peace nor would the committee members have presumed to give such advice.

■ The Burris memo is imprecise, but even if one ignores the NESC's charter, a careful reading of the document shows that the authors' first-strike interpretation is altogether improbable. For example, if the briefing was about a U.S. surprise attack, then it necessarily would have included data on damage to the Soviet Union; Kennedy would not

have had to ask for information on the destruction. Moreover, despite the authors' claims, nothing in the document suggests that Kennedy inquired about the effects of a U.S. first strike in the winter of 1962. He asked about an "attack"—he didn't say by whom. Without any doubt, he was referring to a Soviet attack—it was they who had "fewer missiles" at the time, not the Americans. Thus, when Kennedy asked about citizens staying in fallout shelters "following an attack," again, he is talking about a Soviet attack—although Kennedy would have been concerned about the fallout generated by U.S. retaliation. In any event, it is highly unlikely that Col. Burris, the author of the memorandum, would have provided such a brief overview without an explanation of who would be striking whom first unless he knew that it would have been obvious to Vice President Johnson (who, incidentally, did attend the briefing as his daily schedule shows). Finally, given the great sensitivity of a plan for a U.S. first strike in 1963, it is unlikely that the document would have been classified merely top secret; it would have been treated much more restrictively.

■ The authors misrepresent what the National Intelligence Estimates show about the U.S.-Soviet strategic balance and misread the Roger Hilsman quote that they produce. Citing Hilsman, they claim that the NIEs of the late 1950s present an "estimated missile gap . . . in America's favor." But Hilsman was making the opposite point. Indeed, newly declassified NIEs confirm that estimates prepared prior to 1961 were mistaken about Soviet ICBM progress; these mistakes should not be misconstrued. Moreover, while the authors suggest the U.S. had useful satellite photographs of Soviet ICBMs during 1960, satellite-produced intelli-

gence breakthroughs on Soviet strategic forces did not occur until the summer of 1961.

■ Anyone writing about U.S. nuclear war plans should begin with the Single Integrated Operational Plan [SIOP], the American plan for nuclear war which was the organizational responsibility of the Joint Strategic Target Planning Staff and the Strategic Air Command in Omaha. Curiously, the authors do not mention the SIOP until halfway through their story. The SIOP that was in effect in July 1961 was SIOP-62, a blueprint for the use of all existing U.S. nuclear strategic and theater delivery forces in a single devastating twenty-four hour strike on the USSR, the People's Republic of China, and the satellites. That plan was a carryover formulated in the fall of 1960 during the Eisenhower administration. With more than 14 hours of alert, it envisioned strikes against 1,060 groups of targets (Designated Ground Zeros) with more than 3,200 nuclear weapons yielding more than 7,500 megatons. More than eighty percent of the DGZs were military targets. If SIOP-62 was executed in full, military planners estimated that more than 285 million fatalities in the Sino-Soviet bloc would occur. Although there were significant factors that would have made it difficult to launch this devastating plan as a preemptive strike, it was clearly designed to catch the much inferior Soviet bomber and missile forces on the ground, by surprise if possible. The authors miss this important point.

■ The authors also overlook the history of presidential thinking during the Cold War about first strikes, especially President Eisenhower's consideration, during the mid-1950s, of the pros and cons of an American surprise attack against the Soviet Union while the nuclear balance was still in the U.S.'s

favor. In the end, Eisenhower concluded that a U.S. surprise attack was both politically impossible and violative of U.S. national traditions. One suspects that President Kennedy would have agreed with his predecessor on this point.

■ Surprisingly, the authors overlook the most significant discussion of first-strike options during mid-1961, the efforts of Deputy National Security Adviser Carl Kaysen to design a counterforce first-strike alternative to SIOP-62 which could be executed in a crisis over Berlin. Kaysen proposed a small preemptive attack against existing Soviet nuclear forces which intelligence had just confirmed were smaller than anticipated. Only 88 DGZs would be struck, with the rest of the U.S. nuclear force held in reserve to deter Soviet counter-attack on U.S. cities. A document describing this proposal, dated September 7, 1961, can be found in the JFK Library. The ultimate impact of this civilian-originated proposal is difficult to trace, but it is plainly of greater historical importance than the 1961 NESC briefing that the authors have chosen to dramatize.

■ Although the authors present a scenario of President Kennedy facing an "excruciating choice" in 1963 between peace and nuclear oblivion, they miss the more interesting point that on September 12, 1963, during another NESC briefing, President Kennedy and his advisers had been informed that "victory" in nuclear war was militarily unachievable. According to the briefers, there "was no way of launching a no-alert attack against the USSR which would be acceptable." As Kennedy put it, the level of damage that the U.S. would receive after it preempted would be "unacceptable." This information comes from another Kennedy Library document, declassi-

fied in 1990.

What President Kennedy thought in 1963 does not settle the history of first strikes and preemption in U.S. nuclear planning. But anyone attempting to investigate the role of first strikes and preemption in American nuclear strategy must avoid making mountains out of molehills. Ambiguous reports on war games must not be confused with the plans of civilian decisionmakers. There is already enough misinformation available on U.S. nuclear strategy and its history; Professors Purcell and Galbraith have provided us with some more.

William Burr

David Alan Rosenberg

*Mr. Burr is a nuclear history analyst at the National Security Archives and an adjunct professor of history at George Mason University. Mr. Rosenberg is an associate professor of history at Temple University, and the 1988 recipient of a five-year MacArthur Foundation fellowship in recognition of work on the history of U.S. nuclear strategy*

## JAMES GALBRAITH AND HEATHER PURCELL REPLY:

Burr and Rosenberg's letter is a pastiche of misreadings, plain and provable errors, and long, irrelevant digressions.

Among their many misreadings, all easily checked: (1) We do not rely solely on the Burris memorandum. (2) We do not claim that the Net Evaluation Subcommittee was making a "recommendation for war or peace." The subcommittee's role was analytical, an evaluation of plans, a point which supports our argument that plans existed. (3) The statement that the studies on this subject began in 1957 is in the Burris memorandum itself. (4) We stated our uncertainty over whether Eisenhower had earlier been briefed in person; we state correctly that the July 1961 meet-

ing would have been the "first one given to President Kennedy and his advisors." (5) We quote Hilsman correctly and describe his contribution, which was coy but honest, exactly.

Burr and Rosenberg's assertion that research "must begin" in one or another archive is silly. Professional historians who have worked here know that the Burris files in the Johnson Library are a singular resource—a frank, confidential, and contemporary record by a meticulous reporter with complete access at the highest level. If other archives have yielded material on the July 20, 1961 meeting, fine, let's see it. Burr and Rosenberg produce nothing about this from those other archives.

On the history, Burr and Rosenberg begin with a red herring. Certainly, strategic war plans dated to the early 1950s. But the weapon then was bombers, which are comparatively slow and vulnerable. A surprise attack by bombers would have been immensely difficult to bring off, as Eisenhower no doubt rightly concluded. ICBMs, with their 30-minute flight times and pinpoint accuracy, seemed to solve those problems in the early 1960s. An overwhelming ICBM advantage therefore might possibly mean a chance to destroy the enemy without being destroyed oneself. As we say,

But did Kennedy know, in July of 1961, that the U.S. held an overwhelming advantage in ICBMs?

Burr and Rosenberg are dead wrong on this crucial question. They write that the "intelligence breakthrough" which exploded the missile gap "did not occur until the summer of 1961." We cite Richard Reeves that the breakthrough came with the first CIA satellite, Corona, orbited in August 1960 and returning photographs by parachute in January 1961. Writing in 1988, McGeorge Bundy had already con-

firmed this (p. 350 of Bundy's *Danger and Survival*): "By the end of his term Eisenhower had learned enough from the first satellite to say with confidence in his last State of the Union message that the 'missile gap' showed every sign of being a fiction."

Turning to the text, Burr and Rosenberg write that the meeting must have concerned a Soviet surprise attack on the United States. Yet the document states bluntly that "... the President asked if there had ever been an assessment of damage results to the USSR which would be incurred by a preemptive attack." "Preemptive" or "surprise" attacks, in the nuclear age, go in one direction only. They also require the advantage of numbers: You cannot destroy more missiles with fewer if the targets are properly dispersed. As we have just shown, President Kennedy did know by July 1961 that the U.S. held a strong missile advantage. Given that fact, alongside the second-strike power of U.S. bomber and submarine forces, Kennedy therefore also knew that the Soviets did not have and would never acquire the capability for a successful surprise attack.

Burr and Rosenberg argue that the next paragraph, with its reference to "fewer missiles," must show that the document refers to a Soviet first-strike on the U.S. "since the Soviets had fewer missiles." Note the contradiction: The Soviets did have fewer missiles, but in their own letter Burr and Rosenberg try to argue that the U.S. still did not know this. On the words themselves, the Burr/Rosenberg interpretation of this passage is absurd. We repeat the two key sentences in full: "Since the basic assumption of this year's presentation was an attack in late 1963, the President asked about probable effects in the winter of 1962. Mr. Dulles observed that the attack would be much less effective



since there would be considerably fewer missiles involved." "Fewer" here compares 1962 with 1963, not the Soviet Union with the United States. The word "effective" is also telling; the only possible "effective" strike in 1963 would have been by the U.S., against the USSR. And that, like it or not, was what the meeting was about.

Much of the rest of Burr and Rosenberg's letter—the sections dealing with SIOP, with Carl Kaysen's September 1961 proposal, and with Eisenhower—has no bearing on their dispute with us. The briefing of September 1963 also does not prove anything about what was believed of 1963 in July 1961.

The memorandum was classified "Top Secret," which was the highest formal classification then in use. "Eyes

Only," an informal additional restriction Burris used rarely, is marked on the document. Special restrictions for atomic secrets ("restricted data") or intelligence information would have been incorrect.

On the one issue of Johnson's presence, we may have erred. LBJ normally did not attend meetings on which Burris reported, but in this case the daily record, for what it's worth, does say he attended. The point is incidental, and can only reinforce confidence in the accuracy of Burris's account.

Finally, on the larger point about Kennedy, and also Eisenhower and later Johnson, we do agree. Clearly President Kennedy and his civilian advisers opposed plans for a nuclear first strike by the United States against the Soviet Union, for late 1963 or any

other time. Kennedy's vehement reaction to the July 20th meeting reflects this, and his later behavior is fully consistent. But this is a major point of our article. The fact that Burr and Rosenberg missed it is just more evidence of the haste and carelessness of their letter.

James K. Galbraith  
Heather A. Purcell

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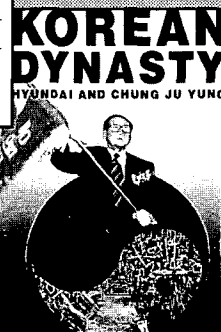
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# LIBERALISM'S THIRD CRISIS

BY ALAN BRINKLEY

**T**his is a pivotal moment in our recent political history. The 1994 elections may or may not represent a lasting realignment of party loyalties. But even if they do not, they are clear evidence of something at least equally important. They reveal how massively government, politics, and the liberalism that has for decades largely shaped them have lost popular support, even popular legitimacy.

With their longstanding assumptions about public life under siege, many liberals are in the throes of a crisis of confidence. Whatever forms liberalism takes as a result, they will almost certainly be different from those we have known. But as extraordinary as this moment may seem, it is not unprecedented.

There are at least two examples in the twentieth century of a comparable (if perhaps less abrupt) collapse in popular confidence in a prevailing model of liberal politics and government, and of the creation of another model to replace it. Liberals searching for an answer to their present dilemmas might consider how earlier generations dealt with similar challenges.

At the beginning of the twentieth century, American liberalism remained largely wedded to its Enlightenment roots. Liberals championed personal liberty, human progress, and the pursuit of rational self-interest by individuals as the basis of a free society (values most liberals would still claim to support) and stoutly resisted giving more than minimal authority to the state. This laissez-faire liberalism is often described today as "conservatism," but it was, in fact, a challenge to an earlier, nineteenth-century conservatism (often associated with the ideas of Edmund Burke and never strong in the United States) rooted in the protection of tradition and fixed social hierarchy. Laissez-faire liberalism envisioned a fluid, changing society, in which the state would not protect existing patterns of wealth and privilege and individuals could pursue their goals freely and advance according to their own achievements.

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In practice, of course, the theory of laissez-faire liberalism bore little relationship to the realities of industrial society or political life in America. Like most of their contemporaries, liberals tolerated and even actively promoted what by modern standards would seem to be oppressive official restrictions on personal behavior. Ambitious entrepreneurs decried state interference in the name of liberalism when it constrained them, but they welcomed, even demanded, government assistance when it was of use to them. Nor were most liberal capitalists genuinely committed to an open competition for wealth and power. Business champions of laissez faire often benefited, for example, from government intervention that protected them against challenges from their own workers. But the "liberal" idea—however inadequately it described social reality—became a potent justification for a rapidly expanding capitalist world and for a notion of individual freedom that gained increasing sway within that world.

**B**y the beginning of the twentieth century, the chasm separating the character of industrial society and the liberal vision of it had become too glaring to ignore. A class of corporate titans was emerging with unprecedented wealth and power. Private institutions were attaining sizes never before imagined. The freedom of individuals to pursue their economic self-interest seemed imperiled by these new centers of authority; and many erstwhile champions of laissez faire came to believe that preserving a genuinely free society required somehow constraining the private power that now threatened to dominate it.

The result was the emergence of a new "progressive" or "reform" liberalism, with broad support from across the economic, regional, and political spectrum. It was committed to (among many other things) taming the excesses of industrialism and imposing a measure of social control on capitalism. Reformers set out to protect individuals, communities, and the government itself from excessive corporate power and (more haltingly) to provide citizens basic subsistence and dignity, usually through some form of government intervention. The New Deal emerged out of this tradition of "progressive" reform, attached the word "liberal" to it, and for several years won broad popular approval for its efforts to transform the character of government.

But the New Deal model gradually generated a

powerful reaction of its own—from corporate forces that felt threatened by its policies, but most of all from ordinary people who began to fear the power of government as much as (if not more than) they had once feared the power of capitalists. Even at the height of Roosevelt's popularity, public opinion surveys (crude as they were in the 1930s) revealed a striking level of concern about public spending, the size of the government bureaucracy, and the burden of federal taxes (which for the middle class were extremely light by later standards). Popular movements emerged denouncing the "dictatorial" aspirations of the president and the "tyrannical" character of the new state bureaucracies. As the 1930s wore on and the New Deal failed to end the Great Depression, such attacks steadily grew. By the beginning of World War II, New Deal liberalism was already on the defensive.

**I**n 1942, finally, the Democratic Party suffered an electoral defeat that contemporaries considered nearly as disastrous as observers now consider the 1994 results. Democrats lost 50 seats in the House (which, when combined with substantial setbacks in 1938, reduced to 10 a majority that six years earlier had stood at 242) and 8 seats in the Senate (reducing their majority to 21 from the 60 they had enjoyed after the 1936 election). Given the power of southern Democrats, conservatives had effective control of the House and close to a majority in the Senate.

"That the Administration has completely lost control over Congress in the November elections is becoming clearer every day," a British diplomat reported to London early in 1943. "The Republicans will of course have working control of Congress," the New Deal economist Eliot Janeway wrote after the election. "On every issue enough anti-Roosevelt Democrats will be with [the Republicans] to enable Congress to boss the Administration at the point of a gun. . . . The balance of [Roosevelt's] term is going to be an obstacle race."

Over the next two years, congressional conservatives systematically dismantled substantial elements of the New Deal: the Civilian Conservation Corps, the Works Progress Administration, the National Youth Administration, and virtually every other relief and public works program Roosevelt had created. They abolished the government's first and only planning agency, overturned the president's efforts to limit wartime salaries to \$25,000 a year, passed legislation restricting labor's right to

strike and contribute to political campaigns, and reduced funding for the Office of Price Administration and the Office of War Information, war agencies conservatives considered centers of liberal sentiment.

Contemporaries considered the Democrats' 1942 defeat nearly as disastrous as observers now consider the 1994 results.

The administration and its liberal allies had expected strained relations with Congress. But many were astonished by the intensity and bitterness of the opposition. Congress seemed to many liberals to have launched a frenzy of indiscriminate budget-cutting in an effort, as one New England Republican gloated, to "win the war from the New Deal." Vice President Henry Wallace spoke in 1943 of "powerful groups who hope to take advantage of the President's concentration on the war effort to destroy everything he has accomplished on the domestic front over the last ten years." James F. Byrnes, a former senator who had been at best moderately supportive of the New Deal in the 1930s, confided to Felix Frankfurter early in 1943 (by which time Byrnes was working in the White House) that he had been watching the performance of Congress with dismay. As Frankfurter recorded the conversation in his diary, Byrnes "never had such a sense of intellectual bankruptcy. He said there was not one thought or idea or bit of illumination in the whole outfit, and the only thing they talked about was that they were committed to abolishing 'bureaucracy.'"

Early in 1944, the poet and Office of War Information administrator Archibald MacLeish told a gathering of politicians and journalists honoring Freda Kirchwey, editor of the *Nation*, "Liberals meet in Washington these days, if they can endure to meet at all, to discuss the tragic outlook for all liberal proposals, the collapse of all liberal leadership, and the inevitable defeat of all liberal aims. It is no longer feared, it is assumed, that the country is headed back to normalcy, that Harding is just around the corner."

The political setbacks of the 1940s, and the changing political climate they represented, contributed to another redefinition of the liberal idea of the state. By the end of World War II, most liberals had begun to coalesce around a new prescription for government in which calls for structural reforms of capitalism or controls over the behavior

of corporate leaders were no longer central. Postwar liberalism attempted, instead, to accommodate itself to the existing structure of American capitalism and to find new vehicles—the manipulation of fiscal

and monetary levers, as Keynes, among others, had urged—by which the federal government could fight recessions and promote economic growth. Stimulating consumption, not regulating production, was the principal economic activity of postwar liberal government. "Full employment" was its goal. A generous welfare state would compensate for the inevitable shortcomings of the "free" economy and would contribute, as well, to the steady increase in purchasing power that the new vision of full employment required.

Into this changing liberal world, a different political language gradually emerged to replace the now-repudiated interest in class and economic power that had dominated the New Deal. It was the language of individual rights—a language the war, and the anti-totalitarian sentiment the war had produced, greatly strengthened. The rights-based liberalism of the post-New Deal era eventually helped lead many white liberals into a great—if, for some, short-lived—alliance with African Americans in the battle for civil rights and racial justice. It led in turn to the mobilization and empowerment of many other groups whose causes liberals generally embraced, among them racial and ethnic minorities, women, gays and lesbians, and people with disabilities. And it led as well to a growing level of tolerance for unconventional forms of personal behavior and morality—a cultural relativism that has gradually become one of liberalism's most controversial and politically damaging characteristics.

It is this newer model of liberalism—a liberalism related to but substantially different from the New Deal—that the electorate seems now to be repudiating. Its collapse is a result of the convergence of several major changes in the social and political landscape:

- Postwar liberalism has been closely identified with enhancing the role of the federal government. It has fallen victim in part to the widespread perception—a greatly exaggerated but not entirely



false perception—that government itself has become as inefficient, corrupt, and menacing as earlier generations of reformers believed the corporate world had become.

■ Postwar liberalism has embraced the drives for expanded rights by individuals and groups. It has fallen victim to a growing popular fear of cultural disintegration and fragmentation, a belief that the liberal commitment to “rights” has somehow run amok at the expense of society’s ability to preserve some elemental sense of community.

■ Postwar liberalism thrived in part on the basis of a vigorous Cold War internationalism, which not only legitimized an activist American foreign policy but also helped legitimize government itself. When the state could be seen as the defender of democracy against communism, when the president was the “leader of the free world,” government had a claim to popular loyalty that it can now make with much less authority.

■ Most of all, postwar liberalism flourished on the basis of its promise that government could help sustain high levels of economic growth and security—a promise government seemed to keep (even if not through the means most liberals expected) for a generation after World War II. Liberalism flounders today because of a twenty-year shift in the structure of the American economy. This shift, and the way in which the nation has adjusted to it, has weakened the popular support for, and perhaps also the viability of, the Keynesian fiscal policies on which liberals once relied to promote economic growth. It has also weakened political support for those economic tools, such as the minimum wage, that might have some effect on the increasingly unequal distribution of jobs and incomes. It is probably not too much to say that these economic frustrations, and the political world’s inability to answer them, lie at the heart of liberalism’s current crisis, and at the heart of the larger disillusionment with government and politics that has created that crisis.

**I**n the embittered and ungenerous climate of American public life today, creating a new liberal vision that is both humane and politically viable will be exceptionally difficult. Liberals have been trying to recast themselves and their ideas for a generation (an effort that has been particularly visible in recent years in the pages of this magazine), and they will no doubt continue to do so. But however difficult the task, the challenge facing liberals

today is an urgent one—and not unlike the challenge that faced progressives early in the twentieth century and New Dealers in the 1940s.

Recreating the New Deal, which was a far-from-perfect answer even to the problems of its own time, is certainly not the solution to liberalism’s problems today. But some elements of the New Deal—including some of those repudiated and largely forgotten after the wartime redefinition of the liberal state—suggest some ways of thinking about the future of liberalism in our own time.

Among the forgotten initiatives of the New Deal was the most ambitious effort to reorganize the federal government ever undertaken by any modern administration. Roosevelt’s “executive reorganization plan,” the product of an extended study by a commission of distinguished scholars and planners, recommended sweeping changes in the structure of the federal government: reorganizing and relocating agencies and departments; weakening the autonomy of the civil service and the independent regulatory commissions; enhancing the budgetary and administrative capacities of the White House; creating a powerful planning mechanism within the executive branch; and others. The changes would contribute, Roosevelt said, to the “efficient and economical conduct of governmental operations.”

Powerful conservatives in Congress, warning of a presidential “dictatorship,” greatly weakened these recommendations by the time they were enacted in 1939. But the results were by no means inconsequential. Partly as a result of the reforms, the federal government emerged from the war better equipped than it had been in the 1930s to manage its responsibilities effectively and to assume new ones.

The Clinton administration’s underappreciated and underpromoted proposal for “reinventing government” is the first major effort since 1937 to launch a serious reappraisal of how government works and how it might be reorganized. That it has generated so little attention and support from progressives is a sign of the intellectual disarray that has helped discredit liberalism in our time. Liberals now need to make the case, in an inhospitable climate, that government is not intrinsically bad. They must show that it can and must play an ameliorative and progressive role in social and economic life. And they must demonstrate that the efforts of the right to disembowel government—through

the balanced-budget amendment, the attack on unfunded mandates, the supermajorities for tax increases, and other structural changes—are dangerous to society’s capacity to respond to social, economic, and international crises.

But to make that case effectively, liberals must also argue with equal force for a reexamination of the way government performs its tasks. They cannot reflexively defend existing agencies and procedures just because conservatives are attacking them or just because the agencies’ ostensible purposes are desirable. They must be able to demonstrate that institutions of government are capable of performing their functions effectively and, equally important, that they are capable of continually “reinventing” themselves in response to the changing world around them. In the 1990s, as in the late 1930s, a defense of government must be tightly linked to a commitment to critical thinking about government.

**B**uried within the confusing maze of New Deal experiments and agencies was a cluster of efforts that attempted to protect and strengthen not just individuals, but communities. The Tennessee Valley Authority, the Resettlement Administration, the Farm Security Administration, and others all experimented with ways of promoting cooperation, community spirit, and mutual responsibility, and even created model towns, communities, and camps that were designed around explicitly communitarian models.

Anyone who has read John Steinbeck’s *Grapes of Wrath* (or seen John Ford’s film version of the novel) may recall the wonder and delight with which the Joad family encountered a federally run camp for migrant workers—a camp explicitly designed around a concept of community engagement and shared responsibility, in stark contrast to the grim, competitive environment surrounding it. The scene depicted reasonably accurately the real camps planned and managed by the New Deal’s Farm Security Administration. Not all liberals of the 1930s were interested in such goals, certainly, but there was at least a faction within the New Dealers concerned with what today’s political theorists would call “civic life” or (to use Robert Putnam’s phrase) the creation of “social capital.” (See Putnam, “The Prosperous Community: Social Capital and Public Life,” *TAP*, Spring 1993, No. 13.)

In the 1990s, the degradation of civic life—the erosion of patterns of interaction capable of creating

social bonds among substantial numbers of people—is one of our society’s most troubling phenomena. And while citizens express their concern about that degradation in many different ways, few are unaware of its costs. It robs individuals of the satisfaction of group activities and shared experiences, and it robs society of the means by which men and women of different backgrounds and perspectives can learn to understand and tolerate one another. It poses a challenge to postwar liberalism’s almost exclusive preoccupation with individual rights and invites attention to the problem of creating the basis for a healthier shared life.

There is, of course, a limit to what government can do to create genuine institutions and habits of community in American life. The New Deal experiments were themselves both modest and short lived. But it has surely been one of liberalism’s failures to have allowed the language of community to become the almost exclusive property of the right. Political discourse at times seems to have become a stale debate between advocates of the market and advocates of the state, with all other realms of human experience floating irrelevantly in the background as “a thousand points of light.”

It is, of course, possible to romanticize the institutions of “civic life.” Neighborhoods, churches, schools, and voluntary associations are not only sources of healthy communal experiences. They can also be sources of bigotry and oppression, and government will always need to intervene at times to curb their excesses and injustices. But for liberal government to be credible to and valued by its citizens, it cannot seem uninterested in, or reflexively hostile to, the institutions that define the lives of many, perhaps most, Americans.

The unhappy example of some of the Community Action programs of the War on Poverty discouraged many liberals from pursuing public efforts to restore civic life. But the effort did not die entirely with the 1960s. It survived for more than twenty years in the persistent call from many liberals for a form of national service that would, they insisted, restore a sense of shared purpose to American life. President Clinton’s small but promis-

The  
growing  
commitment  
to rights  
crowded out  
the language  
of class and  
power.

ing national service program (explicitly linked in his recent State of the Union address to the idea of "civil life" and the need for the "common bonds of community") is a response to that call.

The effort to enhance community has survived in other ways as well. It has found expression recently in the controversial but at least partially successful efforts in Chicago to transfer authority over schools to local councils of parents and teachers; and even in the attempts to create councils of workers and managers within some industries. More such efforts are surely necessary for liberalism to regain respect and credibility among those who have repudiated it.

**F**inally, and perhaps most important, the New Dealers viewed themselves—and the world they were attempting to reshape—in terms of wealth, power, and (although liberals did not often use the word) class. The most progressive New Dealers considered taming the excesses of unbridled capitalism and empowering economically weaker groups at the expense of stronger ones their most important tasks. They carefully avoided the ethnic and cultural issues they believed had done so much damage to the Democratic Party in the 1920s,

and in doing so left themselves unable to confront many problems of racial injustice. But they did manage to make the distribution of wealth and power a subject worthy of political discussion and the basis of a broad coalition that sustained the Democratic Party for more than a generation.

Unlike the New Dealers, many postwar liberals were willing and even eager to confront racial, ethnic, gender, and sexual discrimination. Their participation in the successful effort to dismantle the legal structure of segregation and the still-incomplete effort to eliminate other, less formal patterns of discrimination is one of liberalism's proudest achievements, despite the divisiveness it has created and the political costs it has imposed. But the growing commitment to rights seemed to crowd out of the liberal universe the language of class and power that was so crucial to the political success of the New Deal. Who today talks about the extraordinary and growing maldistribution of wealth in America? Why is it so difficult for liberals to articulate a critique of corporate power in an age of falling living standards and rising insecurity among workers? How has it happened that among all the powerful institutions in modern society, government has become the principal, often even the only, target of opprobrium among Americans angry and frustrated about their lack of control over their lives?

Before liberals surrender to the calls for disabling the federal government and devolving authority to states and localities, they would do well to direct attention to the increasingly centralized institutions of private power that will survive that process. It was to counter the power of such institutions that "big government" emerged in the first place. To whom would they answer in a world of weak or nonexistent national authority?

Franklin Roosevelt spoke openly in his 1936 campaign about "economic royalists," "business and financial monopoly," "reckless banking," and "government by organized money." "I should like to have it said of my first administration," he said, "that in it the forces of selfishness and of lust for power met their match. I should like to have it said of my second administration that in it these forces met their master." That is the lost language of contemporary American liberalism. We need it back. □

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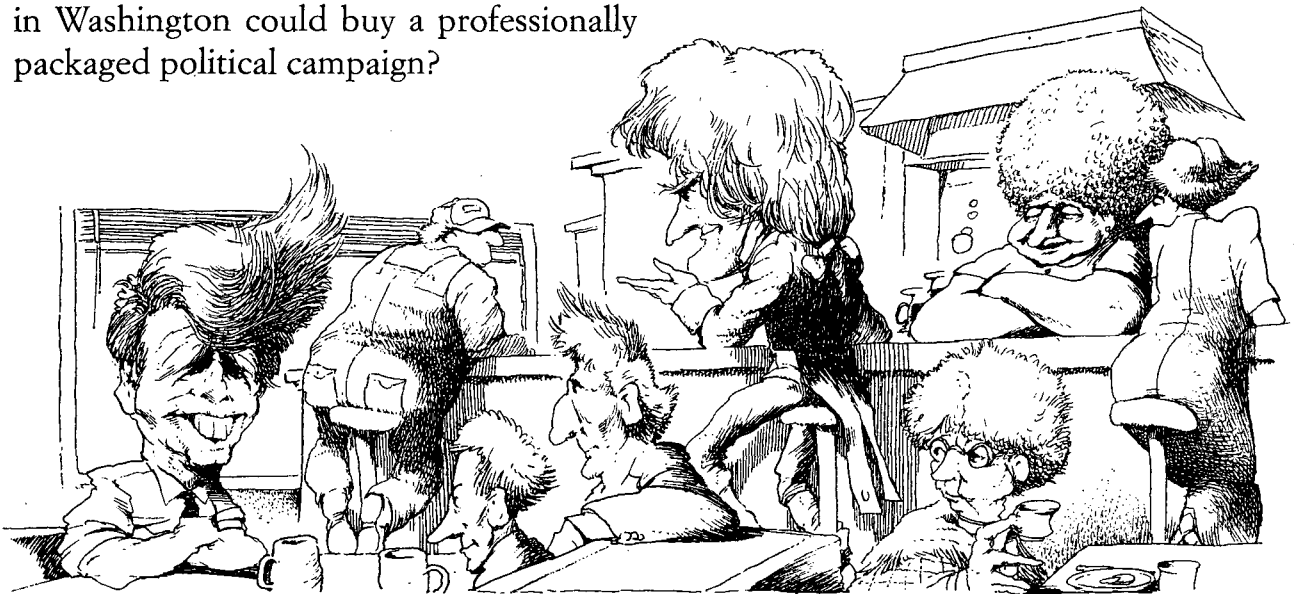
# A NEW CONVERSATION

## HOW TO REBUILD THE DEMOCRATIC PARTY

BY JEFF FAUX

**W**hen liberal Democrats dragged themselves off the electoral battlefield after last fall's election, for the first time in 40 years they had nowhere to hide. Throughout these years, even after their defeats by Nixon and Reagan, the House of Representatives was a protected citadel to which Democrats could retreat—shielded by political warlords like Sam Rayburn and John McCormack, Tip O'Neil and Jim Wright, Dan Rostenkowski and John Dingell. With the House in Democratic hands, the core New Deal and Great Society programs survived. Labor, minority, elderly, environmental, and women's organizations were safe to lick their wounds and plot revenge.

But this protection came with a price. The liberal coalition was increasingly tied to a Washington legislative agenda and became preoccupied with the lobbying and financing of the Democratic congressional majority. An unhealthy mutual dependence developed. Despite their grumbling about the chores of fundraising, many Democrats in Congress and leaders of constituency groups had an easier life. Why spend your time driving around the congressional district to maintain a permanent organization of amateurs when fundraising receptions in Washington could buy a professionally packaged political campaign?



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Why go through the effort of answering conservative critics when voters would reelect you on the basis of your seniority on an important committee? Why burden yourself with mobilizing the membership when you could get access to the Hill by writing a check?

As the Democratic Party's capacity to organize in the precincts atrophied, the party's financial foundation shifted away from labor, construction companies, and others who did business with government, to Wall Street investors and Hollywood celebrities. The eclectic political tastes of these new supporters tended toward that combination of conservative economics and social sentimentality known as "limousine liberalism." Meanwhile, the Southern conservative wing of the party reinvented itself as "New Democrats" and consciously sought to build a base on a business constituency happy to support Democrats who would attack labor and denounce welfare.

Dependent on the Democratic establishment in Washington, liberals failed to grasp the growing outrage of a financially squeezed middle class at the arrogance of those in political power. Liberal concerns such as campaign finance reforms, lobbying restrictions, and unjustified perks of the powerful went ignored because of the discomfort they caused Democrats on Capitol Hill. Major constituencies were inhibited from mobilizing for their interests for fear of damaging their relations with the congressional leadership or Bill Clinton. As a result, liberal institutions have had the worst of both political worlds: They were demonized by their enemies and increasingly seen as ineffectual by their own rank and file.

Meanwhile, the Republican right created the awesome, ideologically driven, local and national organizing network that finally captured the Democratic citadel of the House of Representatives. In the process, they rolled up the Democrats' southern flank to the point where a Republican majority in the South may be the closest thing to a sure bet in American politics. The House is now controlled by smart, seasoned, reactionary politicians bent on liquidating liberalism as an organized force. The Senate is in the hands of conservative Repub-

licans who would rather not get their hands too bloody but will gladly hold down the victim.

And the White House is no refuge. The administration has already capitulated to the right on a number of strategic fronts. Military spending will rise, the shrunken domestic budget will be squeezed dry, and consumer, labor, and environmental protections will be sacrificed. High-level administration officials speak openly of how Newt Gingrich's demolition of the House Democrats gives them a strong ally in their effort to downsize government and cut domestic spending.

## BACK TO BASES

The president may change his strategy of accommodating the right, or he may not. He may decide to fight back, or he may not. He will have to resist on some issues if only as a demonstration of personal character. But one thing is clear: The administration has little interest in rebuilding an integrated grassroots political network to take on the conservative political ideology that now dominates American politics. Unlike the Nixon, Reagan, and even Bush administrations, which consciously nurtured the cadres and institutions of the partisan conservative movement, Clinton—like Jimmy Carter, his predecessor New Democrat—has loaded his administration with people who, in Robert Kuttner's phrase, are "ideologically incompetent."

In presidential politics, liberal Democrats have no credible alternative to Bill Clinton. But in the more fundamental struggle for the nation's political soul, they are on their own. Exposed and unsheltered, the core constituencies of the party must regroup, reorganize, and pursue a disciplined, independent path that uses the next election to revitalize themselves as a political force. The issue is not only their own political relevance but the relevance of the Democratic Party itself. The liberal-labor constellation of forces is the only sector of the party that has a capacity to field a grassroots challenge to the right.

The election verified that the right wing of the Democratic Party has little mass base. It is primarily a collection of conservative politicians and business lobbyists held together by a centrism calculated to appeal to the establishment press. Members of the Mainstream Forum, the major New

Only the liberal-labor constellation of forces can field a grassroots challenge to the right.

Democrat organization in the House, lost seats at almost twice the rate of the rest of the party. The New Democrat excuse is that their members held seats in the conservative South and were therefore more vulnerable. But that is exactly their rationale: By moving to the right, they were supposed to take conservative votes from Republicans in those areas. The losing Senate bids of leading New Democrats Jim Cooper of Tennessee and Dave McCurdy of Oklahoma were particularly telling. The results validated the point attributed to Harry Truman that when faced with a choice between pseudo-Republicans and Republicans the voters will choose the real thing.

The administration's effort to reinvent the Democrats as a pro-business, fiscally conservative party was a particular disaster. The business community got most of what it wanted from the administration. Yet a *Business Week* poll last fall found that 87 percent of top CEOs opposed Clinton, with only 9 percent supporting him. His successful effort to reduce the deficit also went unappreciated; a plurality of voters believed that the deficit rose under Clinton, suggesting again that the deficit is symbolic of economic anxiety rather than an informed demand for fiscal probity. (Of those who said the deficit was the most important issue, 58 percent voted Republican!)

A liberal strategy to rebuild the Democratic Party must begin with an understanding that the decline in real wages and living standards is at the heart of the anger and frustration being felt by the middle class. This is particularly true of white working-age men with less than a college degree, among whom the greatest Democratic falloff has occurred. As political scientist Ruy Teixeira reports, long-term wage declines were largest where the Democrats lost in November. To a large extent, Americans still voted their pocketbooks in the last election. Despite the solid overall economic growth of the past two years, 57 percent of the voters thought the economy was "poor or not-so-good." More than 60 percent of those people voted Republican. This does not mean that social issues—crime, gun control, gays in the military, the perennial welfare problem, family decline—were unimportant. In the absence of a strong economic appeal by the Democrats to their base, these issues defined the campaign. Indeed, they defined Clinton's "liberalism." But it is a trap for Democrats to believe that traditional American

conservatism on social issues reflects a desire to buy a conservative economic package as well.

Historically, Democrats have always been out of sync with the white working class on social issues, most notably on race. Nonetheless, white workers voted Democratic for decades because they saw Roosevelt, Truman, Kennedy, and Johnson as taking their side on the central question of economic security and jobs. When Democrats sound like Republicans on economic issues, they lose because they are not as credible as social conservatives.

### CLINTON'S HALF-RIGHT RESPONSE

In its rhetoric, the administration has correctly diagnosed the current condition of the middle class. The president caught the right mood in the 1992 campaign when he said that "Americans were working harder for less." Recent poll data show they still think they are. And Labor Secretary Bob Reich speaks eloquently of middle-class anxiety. It is unreasonable to expect that Clinton could have turned around 20 years of stagnant and falling wages in his first two years. But we could have expected a clear message about a credible strategy, and the Clinton prescription did not match its diagnosis.

The administration has actually had three answers to the question of declining living standards among the working classes. The first is distributional and includes the earned income tax credit (EITC), universal health coverage, and a higher minimum wage. The increase in the EITC adopted in Clinton's first year is a real benefit, but it is targeted at a small part of the population, requires filling out forms, and, unfortunately for the administration, does not actually reach its beneficiaries until this year. Health care reform in its most ambitious version would have done a great deal to alleviate middle-class economic anxiety, but the political moment was missed. The administration's call for a higher minimum wage in 1995 is a welcome move along the same lines. To his credit, Clinton seems to have drawn a line in the dirt on this issue, and put himself on the worker's side.

The second and more troubling answer is free trade. The administration has now completely adopted the laissez-faire notion that eliminating trade barriers is the path to prosperity. Indeed, Clinton's decibel level on the subject has exceeded that of the Republicans. Even establishment economists for whom free trade is an article of faith say

that the numbers and claims made by the administration for NAFTA and GATT have been widely exaggerated. In the wake of the collapse of the Mexican peso, it is now clear that the U.S. trade surplus with Mexico, upon which NAFTA job claims were based, was the creation of a deliberately overvalued peso and will now disappear. Although some might still argue that NAFTA is good for America in the long run, a year after it went into effect the administration's arguments on jobs, the trade balance, political stability in Mexico, and immigration were in shreds.

Politically, the NAFTA effort alienated many working-class voters and failed to compensate by winning over centrists and conservatives to the administration. The politics of Clinton's devotion to free trade defies common sense. "You have to imagine the Alice in Wonderland quality of this," said a senior administration official to the *New York Times* two weeks before the GATT vote. "Here we are trying to figure out how to get business leaders to put pressure on Republicans to vote for something Reagan championed and Bush almost implemented." Regardless of one's views on NAFTA or GATT, they are clearly not issues that define differences between Clinton and the Republicans or give anyone a reason to vote for Democrats.

**T**he administration's third answer to the problem of declining living standards is training and education. The unintended message the president sent to those facing \$6 an hour in a \$12-an-hour world was that *they* are the problem: They lack the skills to compete in the new flexible, brutally competitive world. No one in the administration seems to have thought through the impact of repeatedly lecturing working Americans—already working longer and harder just to stay in place—that they will have to change jobs and careers many times in this new deregulated global economy. The prospect of a life spent on a constant treadmill of retraining in a world that continually threatens you with obsolescence might seem exhilarating for the highly educated and confident policy intellectuals in Washington, but it is frightening for most people.

Moreover, the administration has not actually been able to deliver much help to workers who face this prospect. Public support will be negligible for the lifetime of education and skill upgrading the administration says workers need. Democrats abandoned Clinton's original proposal for universal on-the-job training and gave low priority even to the modest Reemployment Act, which died in the last Congress. An adequate level of investment in skills would be expensive, and the administration

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has given up the fight for more money. When asked about this recently, a high-level administration official shrugged his shoulders and said that working people facing job stress will just have to take responsibility to "invest in themselves."

## THE REPUBLICAN DIVERSION

The Republicans did not blame the people for their anxiety. They spent two years changing the subject, diverting the economic question into a social one. The reason for your anxiety, they told the anxious middle class, is the deterioration in moral values as a result of liberal excesses—tolerance of crime in the streets, generous welfare, gun control, subsidies to immigrants. Above all, the problem is big government. Through their well-built organizing base, the talk radio network, and the constant stream of books and seminars to influence the press, they blanketed American politics with conservative propaganda. They hammered at the media for being too liberal and pushed PBS and C-SPAN to more conservative programming. They trained people in the art of argument.

In effect, the right created a filter between Democrats in Washington and the electorate to screen out positive messages. A case in point was the defeat by the conservative movement of the bill to restrict lobbying in the last weeks of the Democratic Congress. Given the popular disgust with Washington, the lobbying reform bill represented a perfect opportunity to expose Republican hypocrisy—using the graphic visual images of members of Congress getting free meals and golf vacations. Yet, the right-wing network generated massive protests on patently false objections, charging that citizens writing letters would have to register as lobbyists. With many Democratic members secretly relieved, the conservative network killed the bill in a few days.

This display of political prowess clearly intimidated the White House. Since the election it has generally let Newt Gingrich set the terms and boundaries of debate. It has conceded to Gingrich the principle that government must be smaller. Federal power should be shipped to the states (where business has more leverage over government), regulation should be weakened, and the military budget should expand. In response to the incredibly destructive balanced budget amendment, the administration announced that it was not in favor but would not fight hard against it.

The White House has also trapped itself into collaborating on welfare reform on the assertion that Democrats have plenty of "common ground" with Republicans. The president cannot win on this issue. Effective reforms will require more spending, particularly for training, child care, and health coverage, to enable those on welfare to qualify for jobs and make work pay. But given a climate in which prominent Democrats talk openly about cutting Medicare and Social Security, there is unlikely to be more money for welfare recipients. In the end the president can only quibble with the right over how much to take away from the poor. He will not get credit for a punitive bill, just as he did not get credit for the crime bill.

The result will be to make him look weak and without conviction, and further alienate his base. Indeed, the administration seems deliberately to run away from its own constituency, violating a fundamental rule of politics and war: secure your base. Even after deciding to propose an increase in the minimum wage, the White House staff let it be known they were worried that they would be seen as captives of organized labor.

Newt Gingrich's Contract With America is riddled with special-interest influence, yet it's hard to imagine the Republican leadership worrying about Democrats attacking them as captives of business. The combination of Republican boldness and Democratic timidity has even allowed conservatives to claim that they are the party of new ideas. In the current environment, proposals for increasing the minimum wage, which date to the 1930s, are ridiculed in the press as "old-fashioned," while proposals for orphanages and deregulation, which date to the nineteenth century, are hailed as innovations.

As an economic proposition, the Contract with America will fail. Abolishing welfare, cutting capital gains taxes, debasing the Constitution with balanced budget amendments and the rest will not reverse shrinking real earnings and opportunities for the majority of American workers. We are in many ways returning to an era of economic insecurity.

**D**emocrats need not so much a new message as a new conversation with Americans who work for a living.



city that predates World War II. The prospect of having to take a job at the minimum wage, or a dollar or so above it, does not seem nearly so remote to the typical 30-year-old as it did 10 or 15 years ago. The growing numbers of college graduates in the workforce have clouded this reality. Yet real earnings for college graduates have been falling since 1987. And the Bureau of Labor Statistics estimates that one in five employed college graduates is working at a job that does not require a degree. Even with continued economic growth, the forecast is that in 10 years it will be one in four.

But because they are better educated, the working- and middle-class families that make up the Democrats' natural constituency are more demanding of their leaders and more socially tolerant than they used to be. For Democrats to remobilize them, they will have to learn to speak to them with respect and intelligence. Democrats need not so much a new message as a new conversation with the majority of Americans who work for a living. They have to stop lying to the people that some marginal, insufficiently financed piece of pilot legislation is going to make a difference in their lives. They have to be willing to name and attack their enemies. They need to commit to engaging the right everywhere political discussion goes on—in Washington, on the nightly news, in local media, in neighborhood bars and churches, at the workplace, on the Internet—with their story of how the world works.

## THE DEMOCRATIC STORY

We already have a "first draft" of such a story. Various liberal thinkers and Democratic politicians—including President Clinton—have been telling parts of it for a decade. Some of it was reflected in the president's 1992 campaign and in parts of his post-election Little Rock summit. It goes something like this:

The American dream is fading. More Americans will have to work harder to prevent their living standards from falling further. People now under 35 years of age are doing worse than their parents. On our current path, the future generation will do even worse.

The root causes of working people's financial stress is that America is trying to compete in the new world economy by (1) lowering our wages, (2) generating short-term profits through downsizing and speculation rather than prosperity through long-term investment, and (3) abandoning larger

numbers of potentially productive people to poverty. Democrats must, therefore, raise the central question: How do Americans compete in a world of six billion people, most of whom will work for much less than Americans will? The Democratic answer must start with a vision of a permanent high-wage, full-employment economy for the twenty-first century. The choice is either to continue along the current low road—condemned forever to work harder and harder to compete in a brutal global marketplace—or to move to a higher, more productive level of economic activity.

In this brave new global economy what does it mean to be an American? Nothing, we are all on our own, say the Republicans and "Newt" Democrats. If the Chinese can undercut your job with slave labor, that's too bad. If your employer decides to throw you out in the street after 20 years of loyal service, too bad. If you can't afford health insurance, too bad. Other than through voluntary acts of personal charity, we have no obligations to each other.

The Democratic task is to challenge this dreary social Darwinist notion by reconstructing an economic framework designed to promote prosperity for the American community. For starters, the road to a high-wage full-employment economy should include:

- a low interest-rate policy that gives Main Street priority over Wall Street;
- public investment in our people, infrastructure, and the technology of the future, paid for by eliminating unnecessary subsidies and tax breaks;
- empowerment of workers and their unions through a new labor law framework to promote greater productivity and a fair sharing of its benefits;
- enhancement of family economic security through universal health care, pension portability, and higher minimum wages;
- trading only with nations that produce under accepted labor and environmental standards;
- tax, regulatory, and industrial policies that favor those who invest in long-term job creation and penalize the short-term speculator.

The fundamental objection to a high-wage, full-employment program is that the global financial markets will not permit it. The global marketplace does put new constraints on economic policy, but no iron law of international economics requires Americans to have lower wages and huge pockets of unemployment and poverty. The idea that we

must abandon control of our economic destiny to the multinational corporations and global financiers is nonsense. Ninety percent of what America makes is sold in America. If Japan can keep an unemployment rate below 3 percent for decades and create a dynamic economy, so can we. It can't be done overnight, of course. But a revived Democratic answer must be based on the conviction that it can be done.

**T**he Democratic vision must also include a spirited defense of the existing foundation of economic security. Democrats have accepted, and in many cases promoted, alarmist propaganda that casts unwarranted doubt over the future of Social Security. The logic of these attacks is flawed and the politics is suicidal. The notion that the younger generation of voters will be grateful to those who solve the "problem" of Social Security by making them wait another five years before they can get retirement benefits suggests how far out of touch the Washington policy discussion has moved.

For Democrats to succeed, the issue of what government does and should do must be taken out of the abstract. Democrats cannot run away from this question as they did during the health care

debate. When challenged by attacks on government incompetence, Democrats insisted that the president's health care plan did not mean intrusion into the health care marketplace—which of course it did. Americans support a wide variety of government activities. The story of the woman who in last year's campaign demanded of a U.S. senator that he do something to stop the government takeover of Medicare is symbolic of the absurd result of Democratic cowardice on this issue.

Americans have never had any love for government per se, but they like a lot of what government does for them. Polls show, for example, that when asked about the general quality of the public schools people are highly negative. But when asked about the specific public school in their neighborhood, they are positive. The point is not that Democrats should attempt to sell Big Government. But they must be prepared to make the case for government as an instrument for solving problems that the market will not or cannot address.

But to be credible concerning government, Democrats must give the highest priority to breaking the cycle of their own large contributors. A serious effort must be made to amend the constitution, which the courts have used to strike down

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past restrictions on election spending. Democrats cannot be the party of both the little people and the big money.

The Democratic conversation must be both in the air and on the ground. People do not internalize political ideas just from watching television. Nor do they absorb them just by talking with their neighbors or fellow workers or working the Internet. The conversation must develop at a number of levels. It is no accident that the same phrases can be heard within days on right-wing talk radio, Christian political TV, and in the speeches of Republican candidates—and then in bars and at church suppers. Meeting this challenge will require Democrats to build a political network that can similarly combine local organizing, ideological motivation, and national media strategies that are in motion throughout the election cycle, not just every two years.

Individual political campaigns cannot create this kind of network. Consultant-dominated, media-centered electioneering has little capacity to develop issues. Hired guns shy away from them because issues get in the way of the mechanical operations—media buys, polling, focus groups—on which they make their money.

A populist conversation about economic issues powerful enough to change the national subject must be forged in the fire of the give-and-take of political experience. Economic populism has to be argued, tested, reformulated, tested again until the right language is found to connect it to the reality of the experience of the American electorate in the 1990s. It cannot be created whole in think tanks or universities or at congressional retreats. Democrats, in effect, must relearn how to speak to America.

**T**he Democratic Party is, and will remain, a big tent that will include a variety of opinions. What is needed is not complete consensus, but a motivated core electorate of people who not only agree with a story but will themselves become storytellers. The success of the conservative movement lies not so much in the speeches of Bill Bennett or Jack Kemp or Bill Kristol or Newt Gingrich, but in the way that millions of ordinary people are repeating their message throughout the society.

In this brave  
new global  
economy, what  
does it mean to  
be an  
American?

Given the lack of support in the White House for this kind of effort, the immediate political purpose to which this conversation ought to be put should be to regain the House of Representatives in 1996 by electing more liberals. This is a difficult but not impossible task. At the moment Democrats need a net gain of 15 seats. Obviously Bill Clinton's re-election would help. But the evidence of the last two elections is that Clinton has no coattails. Moreover, there are sufficient historic precedents for a party losing the presidency and gaining seats in the House: In 1960, for example, while Richard Nixon lost the presidential election to Jack Kennedy, the Republicans picked up 22 seats in the House—coming after a Democratic victory in the previous House elections.

This requires a definition of a party leadership that extends beyond the White House or the Democratic National Committee, which by and large serves as a fundraising mechanism. Start with the new minority leadership in the Congress, which is more liberal because of the greater losses last November among conservatives. Add liberals in state and local government and the leadership of the major Democratic constituencies—labor, minority and women's groups, environmentalists, and the elderly. Add the liberal intellectual community that needs to contest the right's claim to new ideas.

The mainstream left does not have the resources and corporate influence that the right enjoys. No left-wing television networks are likely to emerge in the near future. So we must start more modestly. Major liberal institutions and networks should pool resources and concentrate on three or four dozen congressional districts with the greatest chance of electing liberals. Each district would undertake a two-year program of public education and organizing of the Democratic base. Local people would be trained in how to argue with conservatives. Each situation is different and would have to be handcrafted on-site. In most areas a local committee would be formed of interested elected officials and leaders from labor, minority and women's groups, and other activists. Activities would include publicly holding conservative office holders accountable for their votes, challenging right-wing talk show hosts, talking to local journalists, and waging letter-to-the-editor campaigns on issues that illustrate Democratic

themes. Regional speakers' bureaus would be formed to hammer away at the harm done by the Republican contract to the locality.

Another function would be to monitor and influence the national media's treatment of the debate over economic issues. The right devotes time and energy to tracking the major news programs. The elimination of the Fairness Doctrine provided an enormous opportunity for well-financed conservatives to influence the electronic press, which is the source of most people's learning about politics. They have succeeded in putting more conservatives on the air and intimidating the press with charges that it is too liberal. The liberal coalition does not have the resources to match the Christian right's media network. But it can do more to put countervailing pressure on the media to get a fair share of media time.

A related task is to identify the political possibilities of the Internet and other electronic technologies that the conservatives are using to support face-to-face encounters at meetings and rallies and church suppers.

Finally, liberals also need to show more courage and fight in combating conservatives within the Democratic Party. The Democratic Leadership Council has waged a relentless ideological attack

on liberals that largely goes unanswered. Indeed, it spends more time attacking Democrats than Republicans, more time criticizing Clinton than Gingrich. Yet it has privileged access to the White House and influence on the national debate through the militantly middle-of-the-road Washington press. An honest debate within the Democratic Party about its future is long overdue. It might even lead, as it has in the Republican Party, to more, rather than less, unity.

As a separate combatant in the historic battle of political ideas, liberal Democrats are in danger, if not of extinction then of dwindling relevance. The idea that salvation will come if only they wait for Newt Gingrich to go too far, or for the president to get reelected, has been shattered by the Clinton experience. Liberals waited 12 years in the wilderness for the chance once again to have access to the White House. Two years later, their political fortress is overrun, the administration's banners are emblazoned with the slogans and policies of their enemies, and they are threatened with banishment if they don't lower their already meager expectations. Liberals now have no choice. No one is coming to their rescue. They will return to power only after they have earned it in the fire of debate over the country's future. □

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# GINGRICH'S TIME BOMB

## THE CONSEQUENCES OF THE CONTRACT

BY PHILIP HARVEY,  
THEODORE R. MARMOR,  
AND JERRY L. MASHAW

**T**he Republicans' Contract With America is a deceptive document. While its sponsors denounce the welfare state, the Contract itself calls for cuts in only two specific areas: Aid to Families with Dependent Children (AFDC) and the crime prevention initiatives of the 1994 anti-crime bill. At the same time, the Contract promises a variety of new social benefits in the form of tax breaks. These include tax incentives for adoption and for the purchase of long-term care insurance, an elderly dependent care tax credit, a \$500-per-child general tax credit, an increase in the amount of earned income retirees may receive without any reduction in their Social Security payments, and a cut in taxes on Social Security payments for the elderly with incomes over \$34,000 (singles) and \$44,000 (couples). These new benefits would be equivalent to entitlements—that is, no further action by government is necessary to make such benefits available to all eligible individuals.

Attacking the welfare state while creating new middle-class entitlements is a nifty political move. Conservatives can take credit for the new benefits for their more prosperous constituents while cutting benefits for the stigmatized poor. Deficit reduction may provide a cover for the cuts, but the immediate effect is a regressive redistribution of income.

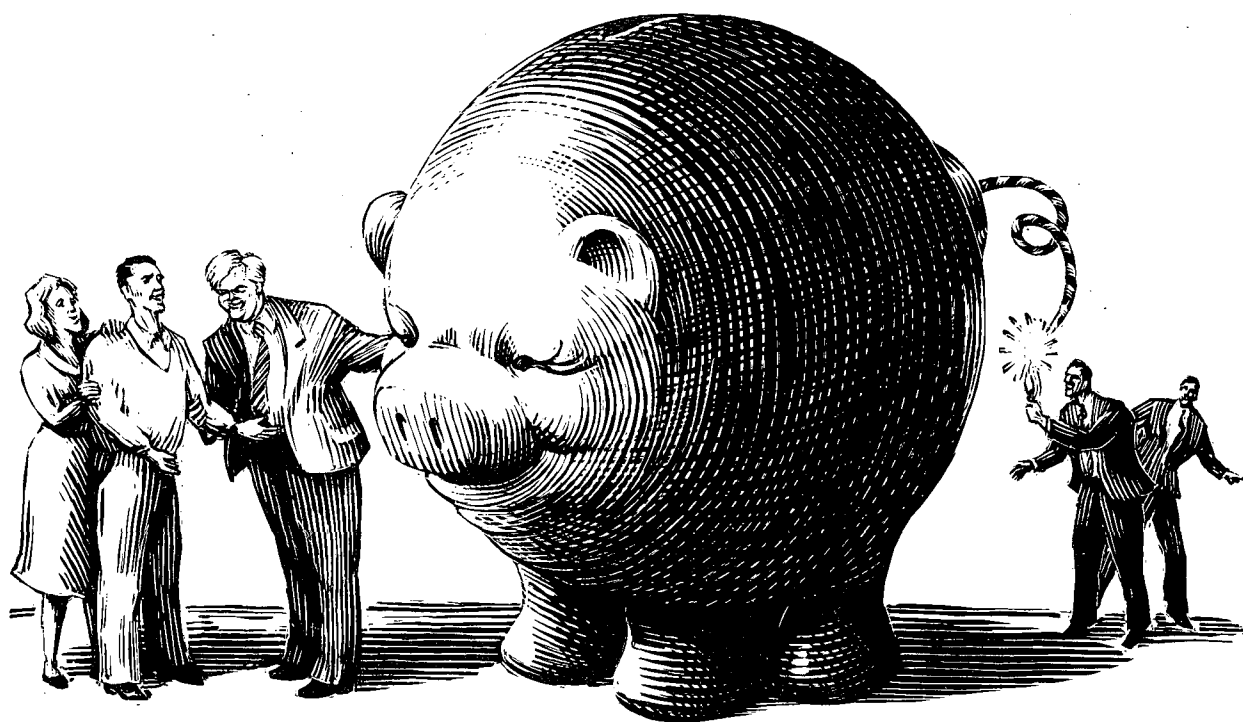
The Contract's long-term consequences, as revealed in the details of their legislative package, are likely to be more insidious. Over time the new proposals would gut the nation's safety net while creating a budgetary time bomb. The devil was never more in the details. In addition to the new tax breaks for social benefits, the Contract also promises a

new tax-exempt savings account, a major new tax break for businesses, and that long-sought Republican goal, a capital gains tax cut. After seven years, when the Republicans' proposed balanced budget amendment would become effective, escalating revenue losses from the tax cuts would almost surely force major reductions in all social programs, including Medicare and Social Security. The Republicans do not admit to these consequences because they would be unpopular. But the Contract's budgetary arithmetic makes it hard to avoid the conclusion that this is what Gingrich's Republican followers seek to accomplish.

### THE GREAT ROLLBACK

While various elements of the Contract contribute to the overall strategy, the

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Republican attack on the safety net comes primarily from their welfare reform bill, dubbed the Personal Responsibility Act of 1995 (PRA). The bill would effectively return the United States to nineteenth-century policies toward the poor and public assistance—complete with orphanages and even “indoor relief.” Although provisions phasing in the new rules would soften their immediate impact, the legislation calls for radical changes, including:

- new eligibility requirements that would deny benefits to more than half of current AFDC recipients (if the requirements were fully effective immediately);
- an end to the legal right of the eligible poor, including the elderly and disabled poor, to cash and food assistance;
- a cap on total federal spending on cash, food, and housing assistance under a formula that would reduce real funds below current levels, impose larger cuts in the future, and force different groups of needy persons to compete for this diminishing pie;
- a shift of responsibility to the states for

designing, administering, and paying for cash and food assistance programs, thus subjecting all of these programs to the political and fiscal pressures that have led states to cut the real value of welfare benefits in half since 1970; and

- a bar against legally admitted aliens, including children and many political refugees, from receiving virtually all forms of public assistance except for emergency medical care.

Such were the main provisions of the legislation as it stood when introduced in Congress in January. The Republicans estimate it would save about \$40 billion during the first four years of operation (1996-1999). The Center on Budget and Policy Priorities (CBPP) estimates the cuts at \$57 billion.

These provisions are bound to change, perhaps dramatically, as the bill works its way through Congress. Significant changes have already been voted by Republican-dominated subcommittees with jurisdiction over various pieces of the legislation. This article analyzes the PRA in its original form, which provides an index of the Republicans' intentions and a window on their underlying views. What they do not achieve in 1995 they may well

return to do after 1996, especially if they have an all-Republican government extending from the Congress to the White House to the statehouses.

**T**he biggest losers under the Republican plan would be children born out of wedlock, many of whom would no longer qualify for public assistance. The bill's sponsors say these changes would reduce out-of-wedlock births, which they blame for both poverty and crime in a "sense of the Congress" statement in the legislation. However, studies comparing states with different welfare benefit levels show decisively that benefits have little or no effect on out-of-wedlock birth rates. So other motives are clearly at work in these proposals: a search for scapegoats to blame for the nation's social problems, an expression of moral disapproval of unmarried teen parents, a need to target the least sympathetic groups even when cutting an unpopular program.

Under the legislation, any child without a legally established father would be ineligible for public assistance. The mother's full cooperation in efforts to establish her child's paternity would not be sufficient. Children would have to wait until the state identified their fathers even if it required lengthy legal proceedings. A state could make an exception only if it determined that efforts to establish paternity would result in physical danger to the mother or that the child was conceived as a result of rape or incest. The CBPP estimates that if this rule were effective immediately (rather than applying only to new applicants), approximately 2.8 million children would be stricken from AFDC rolls.

The bill would also permanently bar from AFDC any child born out of wedlock to a mother not yet 18, unless the mother either married the child's father or married someone else who legally adopted the child. Individual states could establish higher cutoff ages up to 21. This exclusionary rule would apply even to children conceived as a result of rape or incest. It would apply even if the mother later married, but her husband was unable to adopt the child because the natural father refused to relinquish his parental rights. Approximately 28 percent of all families on welfare were started by an unmarried mother under the age of 20. The CBPP estimates that approximately 12 percent were started by an unmarried mother under the age of 18.

Under these rules, a 30-year-old woman with a 13-year-old child born out of wedlock could never

receive any welfare assistance for the child if she lost her job, even though she had never received welfare and had worked full-time ever since the child was born. States also would have the option of denying federal housing assistance to all families headed by a person who "has borne a child out of wedlock after attaining 18 years of age but before attaining 21." The exclusion would be permanent and would prohibit such a woman from ever living in housing that was subsidized under one of 14 federal programs. For example, subsidized housing for the elderly would be unavailable to a 72-year-old woman who had borne a child out of wedlock 52 years earlier.

The legislation would return some of the savings attributable to these changes to the states to promote adoption, establish orphanages, and pay for programs designed to reduce out-of-wedlock births. If the states wanted to provide income assistance to unwed mothers, they could do so in "closely supervised residential group homes for unwed mothers," or what Gingrich's nineteenth-century forerunners used to call "indoor relief."

#### FROM WELFARE TO WORK?

Work requirements for welfare have been a common theme of all recent welfare reform efforts. Usually, these take the form of "workfare" programs that require welfare recipients to earn their benefits. The Republicans' plan has elements of workfare, but it also incorporates a "work test" approach that requires recipients to work under a pay scale so meager and punitive that it is likely to deter anyone who is not truly desperate from seeking benefits.

The PRA would repeal all statutory exemptions from AFDC work requirements and require the states to put target percentages of recipients to work full-time in exchange for their benefits. The states would have flexibility only in deciding how to achieve these targets. By 2003 the minimum participation rate would be one person working full-time for every two families receiving assistance. Job training and education would not qualify as work. And beneficiaries excused from full-time work because they were sick or incapacitated or took care of infants or toddlers also would count toward a state's allowed total of nonworkers on welfare.

The bill would actually prohibit states from subsidizing education and training for more than two years during a recipient's lifetime. The JOBS pro-

gram, established under the Family Support Act of 1988 to provide welfare recipients with job training and other services to enhance their employability, almost surely would wither under the PRA. States could use a restructured JOBS program to satisfy the PRA work requirements, but they would be under no obligation to do so. It would be cheaper for them to establish new work programs stripped of the extra services they are now required to provide to JOBS participants.

States also would no longer have to compensate welfare recipients at the minimum wage for their required work. In fact, under the Republican plan, many recipients would have to work for less than the minimum wage. If the new rules had been in effect in January 1994, a single parent with one child required to work full-time for her welfare benefits in Mississippi would have been compensated at a rate of only 63 cents an hour. If the state offered her the same level of food aid as the federal food stamp program—which it would not have to do under the Republican bill—this same mother would get paid at a rate of only \$1.99 an hour for her combined cash and food benefits.

**T**ime limits on welfare benefits have now become a central theme in the debate over welfare reform. The Republicans would limit a family's lifetime eligibility to five years and give states the option of limiting it to two years, provided the family had been required to participate in a work program for a total of at least 12 months.

The legislation recognizes no exceptions to the lifetime limits. High unemployment rates would be no excuse for failing to get a job, nor would the onset of a debilitating illness or accident or any other difficulties beyond an individual's control. Recipients unlucky enough to exhaust their benefits in the middle of a recession or an illness would have to be dumped from the rolls.

Moreover, states would face considerable fiscal pressure not to extend benefits for the full five years. States that spent more than their federal allotment for welfare in any year would have to cut benefit levels, limit eligibility, transfer money from other programs, or raise taxes. The temptation to limit benefits to fewer than five years would be very strong. The PRA requires full-time work from single parents only after they have received benefits for two years. Requiring work is more expensive than sending checks, especially if child care is pro-

vided. So, continuing a family's benefits beyond two years could result in substantially greater costs than providing the same benefits to a family in the first two years of its eligibility.

## JUST GET A JOB

*Imagine a dog bone economy in which 100 dogs compete for 90 bones. Every morning the dogs fight over the available bones until an equilibrium is reached in which the 90 best fighters end up with the 90 available bones. The other ten dogs lick their wounds. A troupe of social scientists study the fighting and produce data showing that bigger, more aggressive dogs get bigger bones while dogs without bones tend to be weaker and dispirited. They conclude that bonelessness is caused by a lack of strength and spirit and propose exercise and motivational training for the weaker dogs as a means of ending bonelessness. Will their strategy work?*

The PRA's work requirements are based on the assumption that welfare dependency stems primarily from the refusal of welfare recipients to take available jobs. How else can one justify a bill that would deny public assistance to the children of jobless parents except in orphanages or through state-subsidized foster care and adoption? How else can one justify requiring the jobless parents of dependent children to work at a scale lower than the minimum wage for a benefit far below the poverty line? Even ardent conservatives would find such treatment hard to stomach if they weren't convinced that joblessness among welfare recipients is voluntary.

But the facts do not support this view. Even at what many professional economists call "full employment," surveys of job availability consistently show that there are not enough jobs for everyone who is actively looking for work, let alone for everyone society thinks should work.

In the Milwaukee metropolitan area for example, unemployment rates in May 1994 were at a level most politicians would kill to achieve—4.2 percent. About 32,000 people in the area were unemployed and actively looking for work. In addition, there were about 23,000 able-bodied welfare recipients not counted as unemployed in government figures. Based on national averages, about 19,000 people were probably working part-time because they couldn't find full-time jobs, and perhaps another 1,800 people wanted jobs and had looked for work in the past year but gave up the



search as fruitless. Counting all these groups, probably about 75,000 people in Milwaukee were out of work and needed jobs.

A survey at the time showed that employers in the Milwaukee area were seeking to fill only 16,790 full-time and 13,845 part-time positions. There simply weren't enough jobs to go around, and the job shortage for unskilled workers or for residents of depressed neighborhoods was far worse than the area-wide averages suggest. Welfare reform that ignores this job gap and its devastating effects on families and communities is destined to fail. Proposals that blame welfare recipients for their own joblessness are not only cruel but shortsighted. Joblessness and its attendant social ills cannot be eliminated without creating more jobs.

### THE ECLIPSE OF LEGAL RIGHTS

Recipients of food assistance, the elderly, or the disabled poor aren't as attractive targets for welfare-bashing as unmarried mothers. Nevertheless, the Republicans go after them as well, drawing the purse strings tighter without saying who should be denied aid.

Our nation's major income assistance programs for needy persons are presently offered as legal and budgetary entitlements. Anyone who meets the eligibility requirements for the program is entitled to assistance. There are no waiting lists based on the availability of funds. This is true not only of AFDC but also of Medicaid, food assistance programs such as food stamps, and Supplemental Security Income (SSI), which provides cash assistance to the elderly and disabled poor.

Housing assistance is the most important form of support for the poor that the government does not provide as an entitlement, and the effects of this limitation are dramatic. For example, while virtually all welfare recipients receive food stamps, less than a quarter live in public housing or receive federal housing subsidies even though most of them would be legally eligible for assistance, if funds were available.

The Republican plan would eliminate legal rights to AFDC, SSI, and all food assistance programs. Only Medicaid would continue to be an entitlement. Henceforth, individuals could qualify for these programs but still not receive assistance because the year's budget had run out.

At the same time, the bill would put federal contributions to AFDC, SSI, and virtually all housing

assistance under a single budget cap or limit. The limit would include spending on the new work programs mandated for welfare recipients, so their cost would have to be absorbed by other cuts. Federal spending on all of these programs would be permitted to grow beyond prior-year levels only to account for inflation and changes in the poverty population.

The formula mandated for calculating these changes, however, would in practice force further reductions. Under the formula used to calculate changes in the poverty population, for example, adjustments would lag by almost three years. Recessions would come and go before the federal government would raise a cap to reflect increases in poverty. Spending wouldn't necessarily catch up in prosperous times either. Each year's cap would depend on the prior year's actual spending. So, if spending came in under the cap either because the economy was performing well or because of shortfalls in federal or state appropriations, subsequent caps would be permanently reduced.

The Republicans have projected that their cap will cut federal expenditures for the poor by \$18 billion between 1997 and 1999. Based on more current data, the CBPP projects the cuts at \$26 billion. In either case, the cuts would grow larger after 1999.

### LET THEM EAT CAKE

The PRA strategy for reducing federal food assistance is even more daring. It would repeal the Food Stamp program, the National School Lunch Act, and legislation authorizing the Special Supplemental Food Program for Women, Infants and Children (WIC), along with virtually every other federal food assistance measure. A single block grant to the states would replace these programs. States would be required to spend stated percentages of their block grant on substitutes for the WIC program and for school lunches for needy children, but otherwise they would be free to fashion whatever food assistance programs they wanted. The federal government would furnish food stamps at face value to any states that wanted to use them, but states would establish their own eligibility criteria and benefit levels.

The block grant allocation for 1996 would cut federal food assistance about 9 percent compared to 1995 levels and henceforth permit increases in spending only to reflect general population growth

# Those Huddling Masses

**I**llegal aliens are already ineligible to receive benefits under most federal antipoverty programs. The PRA would extend this exclusion to virtually all noncitizens even if they are legally residing in the United States. The exclusion would apply to people granted political asylum because of persecution in their home country. Altogether, these exclusions would save about \$22 billion between 1996 and 1999, about \$20 billion of the total in reduced SSI, Medicaid, and food stamp benefits. Savings in AFDC would amount to only \$1 billion. Legal aliens would also lose eligibility for 50 other federal programs.

Pregnant women could no longer get prenatal care under Medicaid, and they also would be ineligible for the nutrition benefits provided through WIC—even though the children they carry would be U.S. citizens. The immigrant children of a legally admitted non-citizen working full-time in a low-wage job would be ineligible to receive subsidized school lunches or subsidized immunizations against polio. They could not receive subsidized screening for lead poisoning nor be treated (except in emergencies) in federally funded health centers for migrant workers. If they became homeless, the doors of federally

funded homeless shelters would be closed to them. If the family breadwinner died, the children could not receive welfare benefits. If the children's sole remaining parent became disabled, they could not receive SSI benefits. If both parents died, they could not receive foster care benefits. These children would not even be welcome in the Republicans' new orphanages unless they were born out of wedlock.

There's just one thing missing. The legislation needs a supplemental appropriation for sandblasting the inscription off the Statute of Liberty.

—P.H, T.R.M, & J.L.M

and changes in the "food at home" component of the consumer price index. No increases would compensate for the effects of recessions or changes in poverty rates. The PRA's sponsors estimate the cuts in federal food assistance at \$11 billion over four years. The CBPP estimates the cuts at \$18 billion.

While generally free to establish their own criteria for food aid, states would have to impose a work test on able-bodied recipients between the ages of 18 and 62 not caring for children or for an incapacitated family member. The legislation would require these recipients to perform at least 32 hours of work in the month before receiving assistance. The current maximum food stamp benefit is \$115 for a single person. Thus, beneficiaries who received this much food aid (and many would not) would effectively be paid at a rate of \$3.59 per hour, substantially less than the minimum wage. They would have to complete the work the month before they received the food aid.

The intent of this rule is obvious. It is to discourage single adults, including a large proportion of the nation's homeless population, from applying for

food assistance. Soup kitchens funded from the block grants would have to turn away any "nonexempt individual" who had failed to satisfy the work test. Once again, the assumption seems to be that there's no such thing as involuntary unemployment.

## LET THE STATES DO IT

The Republicans have touted their strategy as turning more power over to the states to design and administer social programs. Past performance gives little cause for comfort at this prospect. The federalization of social welfare programs in the United States occurred in response to a collapse of the capacity of the states to handle distress during the Great Depression. With luck we will never again experience such a crisis. Recessions, however, are a fact of life—indeed, regional recessions have become common in recent decades even when the national economy is prospering. States simply do not have the resources of the federal government to increase spending when their economies go sour. Federal entitlement programs provide counter-cyclical benefits to the nation that boost the econo-

my during hard times and even out the economic fortunes of different regions. To assume that states can or Congress will provide the extra aid that is needed in as timely and as well targeted a fashion is fantasy.

Whether state legislators are as warm hearted as their federal counterparts is not the issue. States compete with each other to attract business investment. Low taxes are widely believed to be an important selling point, and the same people who argue that social welfare policy should be left to the states regularly argue on the state level that taxes and social spending should be reduced to make the state more "competitive." This conventional understanding of how best to compete for jobs acts as a brake on the more generous impulses of state legislatures and exerts a steady downward pressure on social spending.

The recent history of welfare benefits demonstrates the problem. States presently set AFDC benefit levels and completely control their own General Assistance programs, which serve destitute people not covered by federal programs. Over the past two decades states have permitted average welfare benefit levels to erode to approximately half their former value, and General Assistance programs have recently been the target of a flurry of draconian budget cuts. In Michigan, where General Assistance for "able-bodied" persons was entirely eliminated, only 20 percent of the program's former recipients found work lasting most of the year following the termination of their benefits and 25 percent reported being homeless seven months after their benefits ended.

#### THE RIGHT'S LONG-TERM STRATEGY

The changes proposed for poverty programs under the PRA would be devastating to the affected families. The Republicans have designed the legislation, however, to soften its immediate impact. A number of key provisions would apply only to new applicants. The net first-year cuts in spending would be small compared to subsequent cuts. In many instances (such as food aid), they have also tried to hide responsibility for federal cutbacks by making the states decide whose ox to gore.

This may reflect a recognition by the Republican leadership that the changes they propose could eas-

ily create a backlash. "Welfare" is unpopular, but most Americans do not want to reduce help provided the poor. The Republicans thus call for big changes in "welfare" without hurting too many people in the short run. Their strategy is to call for changes with only small immediate effects that will grow dramatically over time.

Strikingly, the Republican counterrevolution against the welfare state does not include any cuts in

The best answer to the Republican welfare plan is to tell the truth about job availability.

the benefits that are the core of the welfare state: the social insurance programs that together account for over 70 percent of all income transfers. In fact, the only changes in Social Security proposed in the Contract with America would increase the cost to the federal government of benefits for wealthier recipients. And far from cutting the middle-class entitlements that are richly larded into the tax code—such as the mortgage interest deduction—the Republicans are promising the new tax breaks we mentioned earlier for adop-

tion, long-term care insurance, elderly dependent care, and the costs of child rearing, not to mention that old favorite, the capital gains tax cut.

These tax expenditures, like the new rules for Social Security, would disproportionately benefit higher-income households. Based on existing federal income tax rates, any social welfare benefit provided as a tax deduction returns 33 cents on the dollar to high-income families, 28 cents on the dollar to middle-income families, 15 cents on the dollar to working-class families, and nothing at all to families too poor to have any income tax liability. Even the \$500-per-child tax credit—which looks deceptively like a European-style child allowance—would offer a bigger subsidy to the better off, since there is no suggestion the credit would be refundable (that is, payable to people with little or no tax obligation).

Moreover, just as the Republicans backload their spending cuts—concentrating them in future years—so they backload their tax breaks for the wealthy. Small at first, the new tax expenditures will produce mushrooming losses in revenue beyond the five-year official budget horizon. Viewed in Machiavellian terms, the Contract appears to be a refinement of the strategy pioneered by the Reagan administration: use tax cuts to create budget pressures in the hope that forced

austerity will eventually soften popular resistance to cuts in social spending. Under the balanced budget amendment, which would require the federal government to bring its spending and revenue into balance by 2002, Republicans will bewail the necessity, but Social Security will go on the chopping block.

**T**he Republicans describe the Contract as calling for \$190 billion in tax cuts over the next five years; they estimate \$40 billion in spending cuts over the same period. This imbalance alone looks like a gun pointed at social insurance spending. But three of the tax cut proposals in the Contract could more than double the government's revenue loss between the sixth and tenth year after their introduction.

The Republicans' proposed new backloaded IRA—"American Dream Savings Accounts" (ADSAs)—would encourage taxpayers with existing IRAs to roll them over into new ADSAs. The rollover would generate tax revenue in the short-run, but the government would face major losses later on when the ADSAs are cashed out. The proposed capital gains tax cut would also generate new revenue in the short run by encouraging asset sales but would result in huge revenue losses later on. And proposed changes in depreciation rules would give businesses a tax break equivalent of 100 percent deductibility in the year capital equipment is purchased but extend realization of this benefit over the life of the equipment. This change is also structured to generate some immediate increases in tax revenue and major losses in the long run.

If these proposals are adopted, five years from now the pack of devils we have been describing will show up to collect the several hundred billion dollar debt left by the Contract. Where will Congress get the money? After defense spending and interest on the national debt, there is nothing left to cut in the budget that remotely approximates the requisite scale. Conservatives may then, as now, proclaim their fealty to Social Security. They will surely hope that Americans fail to see the connection between their Contract with America and the unraveling of the long-term social contract that Social Security has represented since the Depression. But if interest must be paid, defense is sacred, tax increases are unthinkable, and the budget must be balanced, Social Security programs will have to be cut—both substantially and rapidly.

## HOW SHOULD LIBERALS RESPOND?

In responding to the Republican offensive, liberals would be wise to keep three things in mind. First, social spending is not unpopular as long as the public understands exactly who is being helped, how, and why. This is why conservatives prefer to attack "welfare" rather than specific entitlements (with the exception of AFDC). Liberals shouldn't let them get away with this sleight of hand. The public needs to understand that the Republicans want to deny food, shelter, and medical care to identifiable families whose needs are desperate and for whom this country does not have enough jobs.

Second, the American public has a strong sense of entitlement to social insurance benefits that goes well beyond the legal meaning of the term. Liberals should sound the alarm that the Republicans' Contract with America is designed to undermine those programs by so impoverishing the Treasury with tax breaks for the wealthy that Social Security programs will have to be cut.

Third, liberals should face up to the Achilles' heel in their vision of a socially responsible government. That weak spot is their lack of an effective, politically attractive answer to joblessness. The New Deal stood for jobs when unregulated markets proved incapable of providing them. In the eyes of the public, the Great Society stood for transfer payments delivered to people who should have been working. Liberalism's New Deal image is attractive. The Great Society image is not. It is no accident that the only transfer programs that conservative politicians are willing to attack openly and vociferously are those that provide benefits to employable persons.

The best answer to the Republican welfare plan is to tell the truth about job availability. There aren't enough jobs to go around. It's not just good jobs that are in short supply. There aren't enough bad jobs either. The labor market is a giant game of musical chairs in which there aren't enough seats for everyone who is actively seeking work, let alone for others who the public thinks should work. The private sector cannot provide work for everyone. That's not a condemnation of the market, just a recognition of its limitations. If the Republicans want to force welfare recipients to take jobs in the private sector—any jobs—they should be pressed to say who they want to go jobless instead.



Liberal support for measures designed to help welfare recipients compete more effectively for scarce jobs is insufficient. More jobs are needed. Instead of arguing with conservatives over whether welfare recipients should be expected to work, liberals should be arguing about the kind of work opportunities welfare recipients should be provided. Offering sub-minimum wage workfare is unconscionable. But so is minimum wage workfare when maximum earnings are limited to AFDC benefit levels and recipients are denied the earned income tax credit (EITC)—as they would be under the Clinton welfare reform proposal. The principle of making work pay should apply just as much to jobs created for welfare recipients as it does to other jobs.

Denying public assistance to unemployed parents will only aggravate our nation's already severe social problems. We must remember that the (imaginary) laissez-faire past that Republicans seek to recreate was not a golden age. It was an age of

Dickensian social conditions and enormous suffering. The do-nothing social policies that permitted such conditions to fester constituted a failed strategy that has been rejected for nearly a century throughout the industrialized world—and for good reason. The gaps between rich and poor that an unfettered market permits are an engine of profound social and political distemper. It is this inescapable truth that welfare state programs recognize and that the Republicans' Contract with America seeks to deny.

We need a new social contract—but surely not one that combines vicious treatment of the poor with fiscally irresponsible promises to the better off. Newt Gingrich has a flair for the dramatic. But his Contract with America is much too reminiscent of the bargain made by Faust. The Republican bargain should be rejected before it has to be broken, and the devil of social discord and unrest seeks to collect its debt with interest.□

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# THE CONTRACT AND THE CONSUMER

BY CARL T. BOGUS

**I**n the Contract with America, all but one of the ten legislative proposals deal with traditional matters of popular interest such as taxes, social security, welfare, and crime. Then there is proposal number nine, the so-called Common Sense Legal Reforms Act, which is, among other things, purportedly designed “to create ‘loser pays’ laws—reasonable limits on punitive damages and reform of products liability laws to stem the endless tide of litigation.”

It may seem strange to place a subject as arcane as tort reform so high on the national agenda. When Americans are asked about problems facing the nation, they cite such issues as crime, declining morals, and the deficit; they don't mention the tort system. But the Republicans are not pushing tort reform to please the public.

The tort system, and products liability in particular, is a bone stuck in the throat of big business. The tort system is one place where the average citizen can battle the powerful on nearly equal terms. The contingent fee arrangement, in which the attorney's fee comes from the recovery in the case, makes it possible for someone who has been seriously injured by an unreasonably dangerous product to retain the kind of top legal talent that most people otherwise could never afford. Moreover, in the litigation discovery process, business must allow the plaintiff's attorneys to examine its files and question its research scientists, engineers, and managers. This process often forces the darkest corporate secrets—including those previously concealed from government regulators—into the floodlight of a public courtroom.

One of the earliest and most famous products liability cases illustrates how this works. In 1969 Ford Motor Company made a deliberate decision to produce a new subcompact, the Pinto, with a gas tank that its executives knew was prone to explode in minor collisions. Lee Iacocca, then executive vice president of Ford, had decreed that the Pinto must sell for no more than \$2,000 and weigh no more than

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2,000 pounds; these requirements forced Ford to depart from usual engineering practices. Crash tests on prototypes revealed that when the Pinto was rear-ended at speeds as low as 21 miles per hour, the fuel tank ruptured and gasoline sometimes flooded the driver's compartment. Ford engineers proposed a variety of ways to fix the problem. However, even relatively minor and inexpensive modifications threatened Iacocca's cost and weight decree, and management vetoed them all.

The tort system, and products liability in particular, is a bone stuck in the throat of big business.

The National Highway Traffic Safety Administration (NHTSA) did not protect the public from the Pinto. Regulators are at the mercy of what manufacturers tell them, and Ford did not choose to share its crash-test data with the agency. Even if NHTSA had known about the special danger of the Pinto, Ford may have found a way of stopping the agency from interfering. As we know

from the Watergate tapes, on April 21, 1971, Iacocca and Henry Ford II were in the Oval Office complaining about forthcoming NHTSA regulations, including enhanced bumper requirements that would have ameliorated the still-secret gas tank problem; a receptive President Nixon designated John Ehrlichman as Ford and Iacocca's "contact person" on the matter. One weakness of governmental regulation is that government agencies are susceptible to political pressure—a matter particularly relevant today when federal agencies are like turtles pulling themselves into their shells, trying to become all but invisible to business or the Republican Congress.

On this occasion, however, an unforeseen event prevented political interference. A jury in a products liability case awarded Richard Grimshaw, a 13-year-old boy who would spend 20 years undergoing surgeries and skin grafts for burns he received when his aunt's Pinto exploded, \$2.5 million in compensatory damages and \$125 million in punitive damages (later reduced to \$3.5 million by the court). In discovery, Grimshaw's lawyers had learned about the crash tests and Ford's decision

not to correct the problem. Shortly thereafter, NHTSA initiated action to compel Ford to recall the 1.5 million Pintos on the road.

The Ford Pinto is merely one of many such stories. The products liability system has repeatedly exposed grave risks to public safety and driven dangerous products from the market. Time and again, it has unearthed secret files showing that companies knew about product hazards but concealed that information from regulators and the public. This was the case with asbestos, the Dalkon Shield, and General Motors pickup trucks (a case that bears an eerie similarity to the Pinto story). George L. Priest, a conservative Yale Law School professor, remarked: "No one conscious of the dwindling budget and meager accomplishments of the Consumer Product Safety Commission can pretend that the United States makes a serious effort to regulate product quality directly. Instead, our society relies on liability actions to police the manufacturing process."

One of the primary provisions of the Common Sense Legal Reforms Act would give the prevailing party the right to recover attorney's fees from the losing party. This would abolish the "American Rule"—which has been in effect throughout the history of American jurisprudence—under which each side generally pays its own attorneys. At first blush, it seems fair that the losing party reimburse the prevailing party, plaintiff or defendant, for the heavy costs of litigation. The practical effect, however, would be to cripple the tort system. The Grimshaw family almost certainly would not have taken on Ford if their lawyer had told them that the outcome was unpredictable and, should they lose, they would be responsible for Ford's legal expenses. Litigation is inherently uncertain; even with an excellent case, no one can be assured of winning a lawsuit, particularly at the outset when key information is still in the adversary's exclusive possession.

The Republicans have tried to make their proposal appear moderate by providing that a prevailing party cannot be awarded more in attorney's fees than he paid his own counsel or, in the case of contingent fee arrangement, that he reasonably would have paid under an hourly billing arrangement. But the key feature of the contingent fee is that it affords people the benefit of legal services they could not otherwise obtain. It can easily take hundreds of thousands of dollars' worth of attor-

ney time to litigate a complex products liability case against a determined opponent, particularly in a ground-breaking case involving complex scientific or engineering matters. The proposed legislation also gives the court the discretion to refuse to award attorney's fees if "special circumstances" would make an award unjust, but special circumstances are by definition uncommon.

Proponents may argue that the Common Sense Legal Reforms Act affects only the federal courts and that citizens will still be able to bring contingent fee cases in the state courts—at least until the states enact parallel legislation. But when the parties are citizens of different states—which is often the situation in cases involving nationally distributed products—a defendant may elect to remove the case to federal court, and thus subject it to the loser-pays provision.

While citizens will no longer prudently be able to sue manufacturers, business will not find the loser-pays rule as great a barrier to the courthouse. A business firm is better able to absorb an attorney's fee award than an individual. Moreover, business firms are generally repeat players. They bring or defend multiple lawsuits, and since a particular company is likely to prevail in some cases and lose

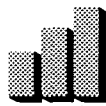
others, the loser-pays rule may be a wash over time. As new champions of the middle class, Republicans need to explain why the courts should be open only to the rich and powerful.

#### TALES OF THE ABSURD

Republicans may not have included tort reform in the Contract out of popular demand, yet in recent years Republican politicians have succeeded in making it a reasonably popular issue. They have done so by ridiculing government, in this case by portraying the judicial system as an Alice in Wonderland world of greedy lawyers and Mad Hatter judges. In a speech on the Senate floor on July 27, 1994, for example, Senator John Danforth told a story about a case involving a 70-year-old man who lost sight in one eye. "This person filed a lawsuit, a products liability case, against the Upjohn Co., and his recovery was \$127 million," Danforth told his colleagues.

This was a gross distortion. A jury had rendered a verdict of \$127 million against Upjohn, but not because it deemed that to be "reasonable compensation" for the plaintiff's loss. More than \$124 million of the award was punitive damages, to punish Upjohn for promoting its drug, Depo-Medrol, for

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use in a manner that was not approved by the Food and Drug Administration and without warning physicians about the risks. Indeed, Upjohn had so effectively marketed its drug for this unapproved purpose (injecting it near the eye) that ophthalmologists were using it this way one million times per year. As is common with jury verdicts involving large settlements, the courts reduced the award. The plaintiff's final recovery, including both compensatory and punitive damages, was about \$6 million.

Dan Quayle told audiences about a psychic who won a jury award of nearly \$1 million because a CAT scan allegedly robbed her of her psychic powers, but he neglected to mention that the judge dismissed the award. Ronald Reagan recounted how a cat burglar sued a homeowner for injuries incurred while falling through the homeowner's skylight. When the real case was identified, it turned out that the plaintiff was not a cat burglar at all. He was a high school student who had been sent to retrieve athletic equipment stored on the roof of the school and had fallen through a skylight that had been painted black.

We will almost certainly hear more about the recent case of the woman who won a \$2.9 million jury verdict against McDonald's after burning herself with a cup of hot coffee. But don't expect to hear that McDonald's coffee is heated between 180 and 190 degrees Fahrenheit, while coffee made at home is between 130 and 140 degrees; that over the past ten years McDonald's received 700 reports of patrons burning themselves with its super-heated coffee; or that the 81-year-old plaintiff was hospitalized for eight days and underwent skin graft operations for third-degree burns. Don't expect to hear, as well, that the court reduced the \$2.9 million jury verdict for punitive damages to \$480,000, or that the jury found that the plaintiff was 20 percent responsible for her injuries (presumably because her injuries would have been only one-fifth as severe if the coffee had been 140 degrees) and that her compensatory award was reduced accordingly.

We shall never know if a judge would have further reduced or even reversed the plaintiff's award on appeal because McDonald's elected to settle privately with the plaintiff. We do know, however, that following the McDonald's award, Wendy's voluntarily suspended selling hot chocolate—which it sold mostly to children and heated to a scalding 180 degrees—until it could lower the temperature. Reasonable people may disagree about whether

there was merit to the McDonald's coffee case, but the system seems to serve the objective of prompting suppliers to make products safer.

## THE MYTHICAL FLOOD

Yet even if the tales are mythical, is it true nevertheless that business is being strangled by liability suits in an "endless tide of litigation," as the Contract with America claims? Hardly. Contrary to the conventional wisdom, products liability litigation is not on the rise. The products liability caseload did increase substantially in the federal courts from 1975 to 1985. But from 1985 to 1990, products liability filings declined in the federal courts, and they have not increased since. In fact, plaintiffs' success rates and awards have been declining.

Second, products liability insurance costs vary widely depending on how potentially hazardous a particular product may be, but they generally are not as heavy a burden as business lobbyists suggest. A 1991 study by the National Insurance Consumer Organization found that the cost of insuring products liability, including both insurance premiums and the costs of self-insurance, constituted only 0.21 percent of retail product sales.

In surveys, businesses often say that they have withdrawn products from the market or decided not to market new products because of products liability; yet there is little hard data supporting such claims. Some bemoan the fact that liability is making diving boards harder to find at hotels and public pools, but when one considers that 1,000 people suffer spinal cord injuries in diving accidents each year, fewer diving boards may not be such a bad thing, particularly at shallow or unsupervised pools. The industry most often cited as an undeserving victim of products liability is general aviation (small planes). Although the U.S. general aviation industry lost its once dominant position in the world market, other factors were in play and it is not clear how much products liability was to blame. If products liability were driving desirable products from the market, business should have little trouble proving its case. Yet the evidence appears no stronger today than it was 18 years ago when a federal interagency task force investigated similar claims and found that most products driven from the market were, in fact, unsafe.

Another specious argument is that the products liability system puts American firms at a competitive disadvantage in the world economy. Everyone

whose products are regularly marketed in the United States is subject to United States law and legal process, and it is just as easy to bring a products liability lawsuit against Honda or Volkswagen in, say, New York as it is to sue Ford or General Motors. Everyone competing in the American marketplace plays on an even playing field.

**I**t is ironic that Republicans have included tort reform in the Contract with America. The main theme of the Republican revolution is that government is inefficient, inordinately expensive, and intrusive. Products liability, however, is a regulatory system that is neither run by a bureaucracy nor financed with tax dollars. Private entrepreneurs—that is, trial lawyers—do most of the work; the government makes only a relatively modest contribution in the form of court time.

The products liability system, moreover, is less intrusive than agency regulation. While regulatory agencies tell manufacturers what they may or may not produce, courts do not. A manufacturer can continue to sell a product and presumably will keep on doing so as long as it expects a product to be profitable. However, when the cost of injuries drives up the price of a product to a point where consumers are no longer willing to buy it, the manufacturer is likely to withdraw it from the market. The result is exactly what society should want.

If Republicans were faithful to their ideology, they could embrace the tort system as a “free market” alternative to bureaucracy. But ideology is less important here than deference to business interests. Republicans are now engaged in an effort to constrict the power of regulatory agencies and enlarge the power of business. The battle over tort reform demonstrates that hidden behind the rhetorical veneer, the target is not merely government but any limitation of business’s power vis-à-vis the consumer. Their measures are popular—as long as people do not grasp their implications. Americans want to be confident of buying wholesome food, carefully tested drugs, and safe cars—and they mistrust big business just as much as big government. They are not for shooting all the watchdogs. Should the Republicans succeed in eliminating some federal agencies, constricting others, and intimidating the rest, the products liability system will become even more critical to public health and safety. □

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# OUR NAIRU LIMIT

## THE GOVERNING MYTH OF ECONOMIC POLICY

BY ROBERT EISNER

**W**e mustn't have it too good. Too much growth—too little unemployment—is a bad thing. These are not the idle thoughts of economic nail-biters; they are the economic policy of the United States. After real growth of gross domestic product (GDP) hit 4.5 percent in the last quarter of 1994 and unemployment dipped to 5.4 percent in December, the Federal Reserve moved on February 1 to raise interest rates for the seventh time in less than a year. Why? To slow our too rapid rate of growth and stop or reverse the fall in unemployment. Why do that? To fight inflation.

Ordinary people may wonder. Overall inflation, as measured by the GDP implicit price deflator, was down to 2.1 percent, its lowest in three decades. The Consumer Price Index rose only 2.7 percent in 1994 and knowledgeable analysts, including the Fed's chairman, Alan Greenspan, recognize that this measure overstates the rise in consumer costs, perhaps by as much as two percentage points.

Hard-nosed economic analysts and business leaders are also raising questions. They point to technological advances and downsizing in U.S. industry and suggest that productivity and output potential may well be rising more rapidly than the 2.5 percent long-term growth rate that Greenspan and others think marks the outer limit for the economy. Furthermore, as people lose old, high-paying jobs and look desperately even for lower-paying employment, there is slack in the labor force. Perhaps most important, increasing globalization and world competition may limit the ability of American firms to raise prices and workers to push for higher wages.

These heretical observations have so

far failed to dent the dominant dogma haunting economic policy. The central tenet of that dogma is a concept familiarly known among economists as the NAIRU—the “nonaccelerating-inflation-rate of unemployment.” While unknown to the general public, the NAIRU has become one of the most powerful influences on economic policy this century. My recent work, however, shows that even on the basis of a conventional model used to estimate the NAIRU, there is no basis for the conclusion that low unemployment rates threaten permanently accelerating inflation. And, according to an alternative model more consistent with the data, inflation might actually be lower at lower unemployment levels than we are experiencing today.

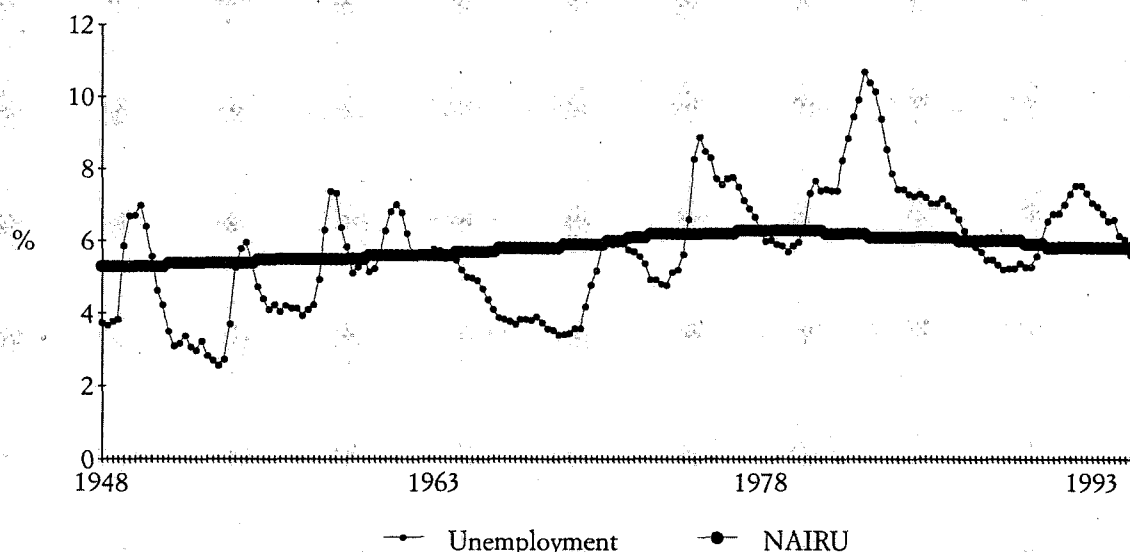
### THE NAIRU FRAMEWORK

The basic proposition of the NAIRU is simple: Policymakers cannot use deficit spending or an increase in the money

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## UNEMPLOYMENT RATES

**Unemployment and NAIRU: Actual unemployment has bounced all around its supposed natural rate in the last half century.**



supply to reduce unemployment below some “equilibrium” rate, except at the cost of accelerating inflation. This is a sharp departure from the Keynesian view that inflation poses a danger only when increased spending or demand presses against full or near-full employment.

The concept of the NAIRU, derived from Milton Friedman’s notion of a “natural rate of unemployment,” rejects the assumed trade-off between unemployment and inflation described by the Phillips Curve, named after A.W. Phillips, an innovative economist from New Zealand. The Phillips Curve suggests that maintaining lower unemployment does produce higher inflation, but the inflation is constant. In the NAIRU view, the Phillips Curve is only a short-run relation. Trying to reduce unemployment by increasing spending or aggregate demand may work for a while, but then the higher inflation will cancel out the effects of the stimulus. Increased actual inflation will raise expectations of future inflation; only the excess of actual inflation over what workers, employers, borrowers, and lenders expect will stimulate the econ-

omy. At each round, higher spending and inflation will be necessary to maintain the original reduction in unemployment.

Thus, according to the NAIRU, fiscal or monetary policies aimed at reducing unemployment would leave us like a dog chasing its tail. If policy were aimed at keeping total spending sufficiently high to keep unemployment below its “natural rate,” inflation would rise more and more rapidly. Ultimately, policymakers would give up in the face of runaway prices. Unemployment would then be back at its natural rate and inflation would stop accelerating, but it would stay at its new, higher level until unemployment rose above the natural rate and the process was painfully reversed.

In this view, the only way to reduce unemployment, except possibly in the short run, is to change conditions affecting the supply of labor—for example, by cutting the minimum wage, reducing or eliminating unemployment benefits, or upgrading the skills of workers. If the NAIRU is taken seriously, supply-side measures are the only ways to get unemployment down and keep it down. And if



unemployment is at or close to the NAIRU, the monetary authority must take prompt anti-inflationary action to prevent the economy from "overheating." Otherwise, inflation will not only be higher but will be launched on its accelerating course, from which it can be diverted only by the medicine of excess unemployment—that is, unemployment above the NAIRU.

**T**his is the view that underlies the otherwise inexplicable policy of the Federal Reserve. Most of our central bankers believe that we are at the natural rate of unemployment or below it, and we need more unemployment before it is too late. The main difference among macroeconomists today is that conservatives tend to put the NAIRU higher, at say 6-plus or 7 percent, while liberals put it at 6 or perhaps 5-plus percent. A few brave souls suggest that since our estimates of the NAIRU are imprecise, we should cautiously try to bring down unemployment until we have signs of inflation. But others say by then it will be too late.

Few economists have challenged the basic concept of the NAIRU. Keynes observed six decades ago that economists could stubbornly stick to their assumptions in the face of crushing reality, as when they argued in the depths of the Great Depression that there could be no involuntary unemployment. Another such episode of professional obstinacy may well be unfolding. Business leaders report, and national statistics confirm, that despite unemployment falling below the conventional NAIRU, accelerating inflation is nowhere in sight. But many economists are unmoved by mere evidence.

The available data do not, in fact, show that the NAIRU has much to do with historical levels of unemployment. In the United States, as shown in the figure on page 59, actual unemployment has bounced all around a NAIRU that was altered only slightly to keep up with it. Why, for example, did unemployment dip well below the NAIRU through most of the 1960s? The theory does not tell us why it was possible then but impossible now.

The conventional model could simply be ignoring many factors affecting inflation or the interaction of unemployment and inflation. These factors may also have a different impact when unemploy-

ment is high and when it is low. When unemployment is high, workers may indeed hesitate to press for higher wages because they are worried about losing their jobs. Still higher unemployment and falling demand may lead to more competition for limited markets, which may further check inflation.

But when unemployment is low, inflation may also be held in check. Low unemployment is usually associated with more efficient use of all resources. Persistent low unemployment rates that might lead to higher wages may encourage the substitution of capital for labor and raise anticipated future productivity, which would curb inflation. And with profits high and overhead costs spread broadly, firms may keep down prices to discourage others from entering their markets. Firms that are flush with profits may consider moving into new areas. Firms already there may well hesitate to raise prices and thus offer greater invitation to would-be interlopers.

This is, of course, just a sketch of why low unemployment and the high profits usually associated with it may inhibit inflation. Thus, the relationship may be different from what is usually assumed. It may be true that high unemployment reduces inflation, while

it is false that low unemployment raises inflation.

#### THE CONVENTIONAL FORMULATION

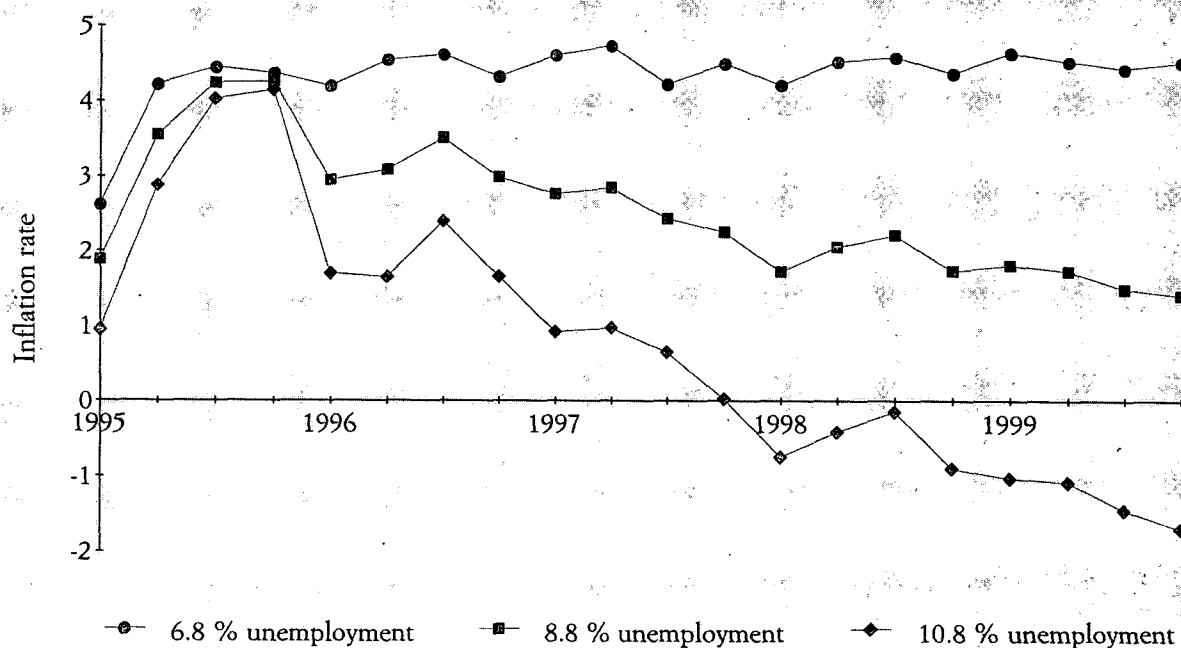
Two crucial assumptions are necessary to arrive at the usual concept of the NAIRU. The first is that, left to itself, any given rate of inflation is self-perpetuating; the second, that unemployment is a key factor in changing inflation rates—specifically, that higher unemployment lowers inflation, and lower unemployment raises inflation.

There has been something of a cottage industry in estimating the NAIRU over the years. An exemplary case is the formulation by the Congressional Budget Office (CBO) in its August 1994 *Economic and Budget Outlook: An Update*, which is similar to influential work a decade earlier by Robert Gordon. The general idea is that inflation is a function of a number of variables such as presumably independent food and energy price movements, changes in productivity, the imposition and removal of price controls, and, most important, past inflation and current and past unemployment. The idea that inflation is self-perpetuating is embodied in the assumption that past inflation enters the equations

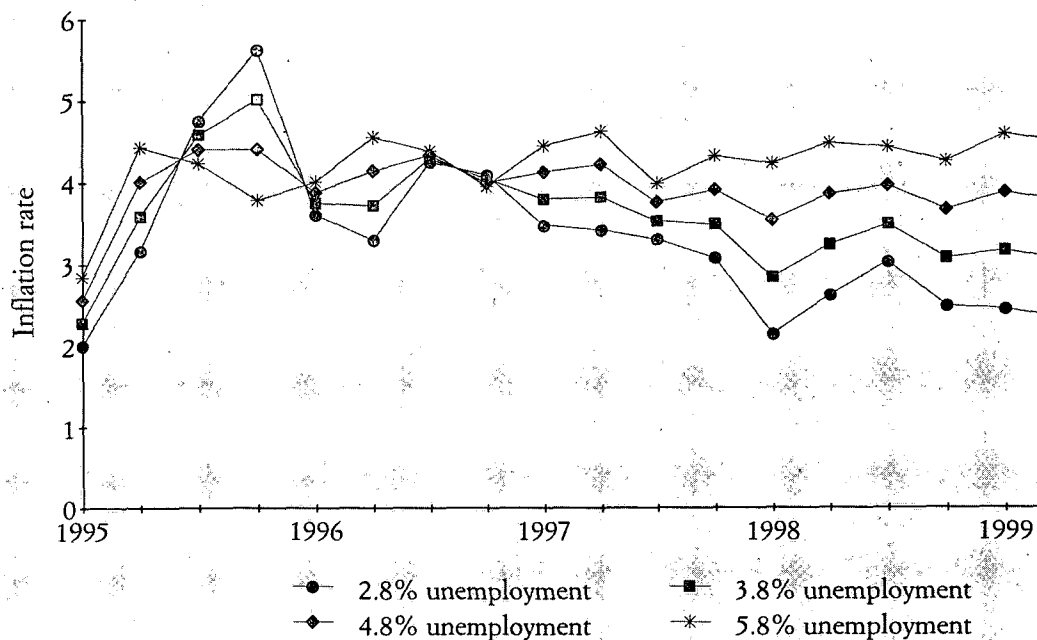
**T**he premises of the Fed's anti-inflation policy are now in doubt.

## UNEMPLOYMENT AND INFLATION

High levels of unemployment do cut inflation...



...but low levels do *not* bring rising inflation; they actually appear to reduce inflation.



with a coefficient of one. The formulation then has an estimated constant term—which is positive, pushing inflation up—and negative coefficients of unemployment to hold inflation down. The size of those negative coefficients determines how much unemployment will be necessary to keep inflation from increasing. The rate of unemployment just sufficient to do this is the NAIRU.

I have replicated the CBO estimates and have confirmed the agency's results using its own model. The sum of the past inflation coefficients is at or above that crucial value of unity necessary for inflation to be self-perpetuating unless stopped. The constant terms are positive and the sums of the unemployment coefficients negative. My estimates yield a NAIRU at just about CBO's figure of 5.8 percent. (The measure of unemployment used by

**We have  
no basis for  
deliberately  
raising  
unemployment.**

the CBO is the unemployment rate for married men, which it then adjusts to estimate the general rate of unemployment.)

However, even this model does not support some of the implications usually drawn for policymaking.

Many economists argue that we must never let the genie of inflation out of the bag because even a brief, inflation-accelerating experience of low unemployment will be disastrous and difficult to correct. Testing that proposition, I found that a one percentage point reduction in the married-male unemployment rate to 2.55 percent (one percentage point below the CBO estimate of the married-male NAIRU) generates a sharp increase and fluctuation in CPI inflation for several quarters, which subsides quickly if unemployment goes back up to the NAIRU. Even permanent unemployment of 2.55 percent does not, after five years, get inflation past 7 percent.

These results are based on the conventional formulation, but that is only the beginning of the story. The conventional model constrains the unemployment and inflation parameters in ways that are in fundamental conflict with the data. Freeing the model from those constraints leads to dramatically different conclusions; this calls into question the use of the NAIRU as a justification for blocking fiscal and monetary policies that might bring "full

employment," or distinctly lower unemployment than what is now widely viewed as acceptable.

## AN ALTERNATIVE MODEL

My reformulation of the conventional model suggests that the effect of unemployment on inflation is different when unemployment is low compared to when it is high. The key question, then, is what happens to the estimated values of the unemployment coefficients when unemployment is low. Do they differ consistently from the coefficients when unemployment is high?

First, estimates of separate relations for high and low unemployment show that differences between the unemployment coefficients are clearly statistically significant.

Second, the unemployment coefficients in the low-unemployment regressions are generally positive, though usually modest in size. This suggests that, whatever the effect on inflation of unemployment below the NAIRU, once below the NAIRU, lowering unemployment further may reduce inflation.

Third, under low unemployment, the sums of inflation coefficients were below unity, contradicting a critical assumption underlying the NAIRU. Inflation left to itself would not be self-perpetuating, and low unemployment would not cause accelerating inflation. Even if unemployment below the NAIRU did raise inflation, it would raise it by a finite amount—the old Phillips-Curve relation, not permanently accelerating inflation.

## SIMULATIONS AND FORECASTS

One way to reveal the effects of the various interacting coefficients is to simulate or forecast ahead. I show results based on a single equation for inflation in the consumer price index. The high-unemployment inflation paths in the figure on page 61 fit the conventional view. Unemployment above the NAIRU drives inflation down, although the implicit NAIRU is closer to 6.8 percent in my simulations based only on high-unemployment observations. It takes still higher unemployment to break the back of inflation. But high enough unemployment does eventually turn inflation negative; that is, it drives prices down.

The low-unemployment paths shown, however, offer quite a different picture. At 5.8 percent unemployment, contrary to Alan Greenspan's fears, there is no accelerating inflation. By the end of the century, inflation settles at about 4.4 percent. Strikingly,

at lower unemployment rates, inflation is no higher. At 4.8 percent unemployment, the simulation shows inflation coming down to 3.6 percent. At 3.8 percent unemployment, inflation comes down to 2.9 percent. At 2.8 percent unemployment, inflation at the end of 1999 is down to 2.1 percent.

### NAIRU ESCAPE?

I would not bet the family farm or the nation's economy on any set of econometric estimates, even my own. But promoters, defenders, and practitioners of the conventional NAIRU have done exactly that, with increasingly dogmatic assertion. They have paralyzed macroeconomic policy that should be aimed at the "high" and "full" employment targets set by the Employment Act of 1946 and the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978.

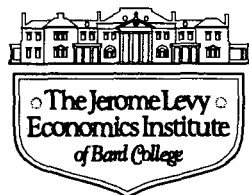
If accelerating inflation is not our fate, some might think a few extra percentage points of constant inflation might offer a pretty good bargain. Lower unemployment would generate large increases in output. According to the robust Okun's Law, named after Arthur Okun, the late Yale economist, each percentage point of unemployment costs at least two percentage points of

output. That would amount to more than \$130 billion of GDP this year.

Those committed to the concept of a NAIRU cannot easily dismiss the evidence of asymmetry that I have presented. I am not proposing a new dogma that lowering unemployment will reduce inflation. Even if my formulation is right, my standard errors are often too high—as, I should add, are those of practitioners of the conventional model—to permit any precise conclusions. There may be no stable, universal relation among unemployment and all the various factors contributing to inflation.

But the results reported here should clearly show the lack of empirical support for the NAIRU and the policies based upon it. They suggest that we have no sound basis for deliberately raising unemployment. On the contrary, we ought to be trying to reduce it, not only by supply-side measures, but by ensuring that the economy is not starved for adequate aggregate demand or productivity-increasing public investment. These measures should aim at reducing both underlying structural unemployment and the unemployment caused by misguided anti-inflation policy. The fight against inflation can then be focused where it should be—on promoting the greatest measure of domestic and international competition. □

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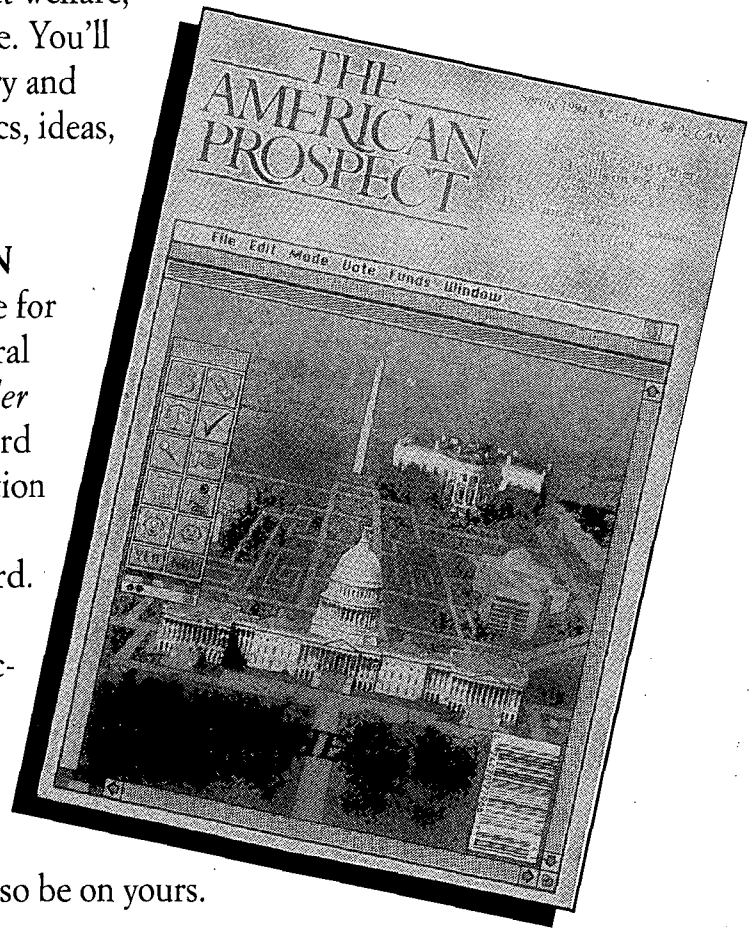
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# ABANDONED SURGERY

## BUSINESS AND THE FAILURE OF HEALTH CARE REFORM

BY JOHN B. JUDIS

**I**n the Progressive Era, business leaders and organizations played an indispensable role in developing and promoting the social legislation that first blunted the sharp edges of laissez-faire capitalism. Key business groups backed the Meat Inspection and the Pure Food and Drug Act, the creation of the Federal Trade Commission, and the passage of child labor and workers' compensation laws. Without significant business support, most of this legislation would not have been adopted until the Great Depression, when a national crisis neutralized potential opponents to change and invited a host of radical measures.

As Bill Clinton took office, it looked as though business would play a similar role in the formulation and passage of his major social initiative, universal health insurance. At Clinton's December 1992 economic summit in Little Rock, Ford CEO Harold Polling made the case for national health insurance. During Clinton's first months, the three main business lobbies in Washington—the Business Roundtable, the U.S. Chamber of Commerce, and the National Association of Manufacturers (NAM)—and business-dominated health coalitions such as the Washington Business Group on Health, the National Leadership Coalition for Health Care Reform, and the Jackson Hole Group were all on record supporting universal coverage and cost containment—the twin goals of the president's health care reform. The only sharp dissenters were the National Federation of Independent Business (NFIB) and the Health Insurance Association of America (HIAA), which represents smaller insurance companies.

Yet barely 13 months after Clinton had taken office, most of the prominent business groups turned abruptly against his plan for universal health insurance. In the space of three days, the Chamber of Commerce dramatically reversed its stand in favor of employer-funded reform; the Business Roundtable declared itself in favor of the rival

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plan advanced by Representative Jim Cooper; and the NAM announced that it could not support the Clinton plan. The defection by these business organizations helped to doom the Clinton plan—and any other comprehensive reform effort—by removing the most important outside pressure for bipartisan support.

How did these business organizations first come to support health care reform? And why did they suddenly bail out? In the answer to these questions lies the answer to the larger question of whether—and if so, under what conditions—any kind of significant social reform is now possible in American politics.

#### TO THE CENTER AND BACK AGAIN

While many business organizations traditionally have supported labor and welfare legislation, they have shied away from national health insurance. During the Progressive Era, the American Association for Labor Legislation, funded by John D. Rockefeller and U.S. Steel's Elbert Gary, sponsored a health insurance plan, but it was actively opposed by the most important big business lobby, the National Civic Federation, by the major insurance companies, and by the American Federation of Labor, which saw government health insurance as an assault upon its prerogatives. The main business lobbies also opposed Harry Truman's health care initiative and the passage of Medicare.

But the rise of health care costs over the last three decades, and particularly during the late '80s, spurred business to reconsider its opposition to or indifference toward national health insurance. As political scientist Cathie Jo Martin has argued, the benefits managers, consultants, and insurance administrators who were hired in the last decades to oversee corporate insurance policies played an important role in this reconsideration. During the early '80s, the Washington Business Group on Health, which was created by the Business Roundtable, and in which corporations are often represented by their benefit managers, opposed Reagan administration attempts to deregulate health care. In 1986, the National Leadership

Conservative politicians  
successfully lobbied major  
business lobbyists, who were  
in fact supposed to be  
lobbying the politicians.

Commission on Health convened a blue-ribbon panel of business leaders, labor officials, and health experts who issued a report recommending universal reform. In 1990, Henry Simmons, a member of the commission, transformed it into the

National Leadership Coalition for Health Care Reform, which included major auto, steel, electronics, and retail companies. In 1991 the coalition came out in favor of a "pay or play" reform that would have mandated employers to buy insurance for their employees or to pay a tax that would have created a federal insurance system for the uninsured. Even groups that had historically opposed any national plan began to advance reforms of their own. Insurance companies worked with Stanford Business School Professor Alain Enthoven's Jackson Hole Group to develop a plan for managed competition.

Small businesses, whose premiums began rising rapidly in the late '80s and averaged about 30 percent more than those of big businesses, got into the act. At the Chamber of Commerce, 96 percent of whose members have less than 100 employees, Robert Patricelli, the CEO of a health benefits management company, convened a subgroup of the Chamber's Health Committee that was entirely composed of purchasers. Insurance and pharmaceutical companies were not invited. By the time Clinton took office, Patricelli's committee had concluded that to control costs, the government had to create a universal system and in order to fund it, an employer mandate was necessary. With labor and public interest groups also backing health reform, and with the recession still feeding public insecurity about access to health care, some kind of legislation seemed inevitable.

Over the next 18 months, many groups backed away from the initial consensus in favor of reform, but the two most important defectors were the Chamber of Commerce and the Business Roundtable. The Chamber, founded in 1912, has about 200,000 members. Unlike today's typical Washington organization, it is not entirely staff driven but organized through local and state Chambers and a national board of directors. Over



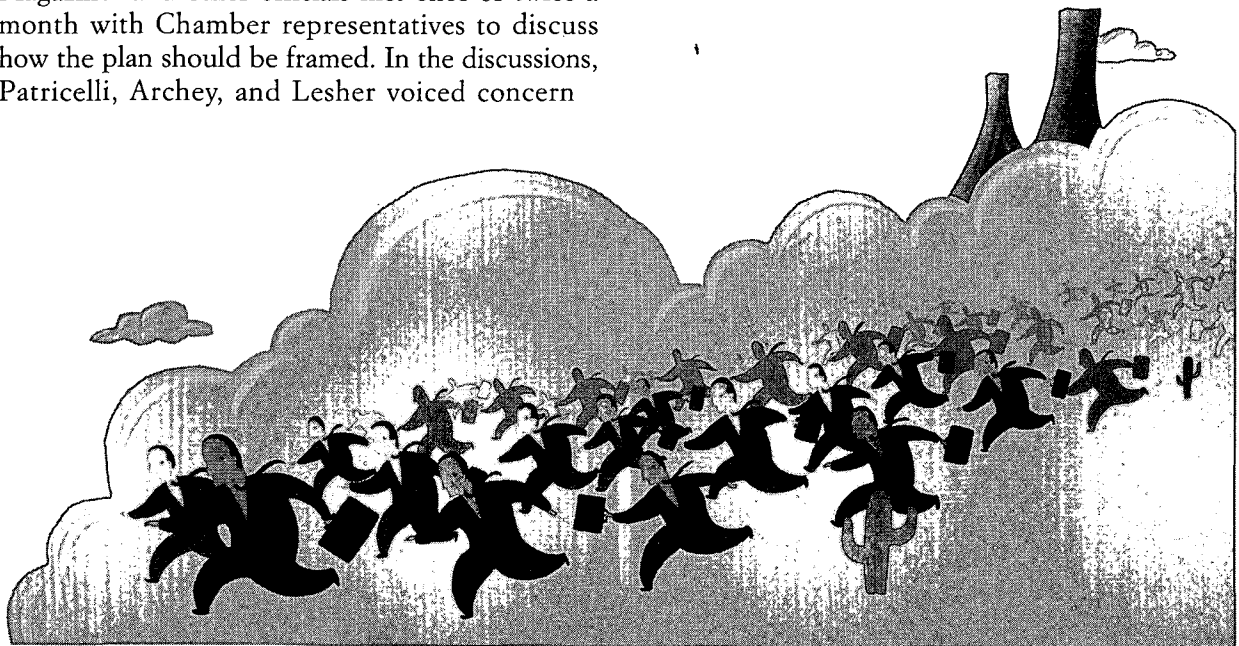
the years, it became known as a tenacious and effective foe of any measure that threatened small business—from increases in the minimum wage to affirmative action. In 1991, in response to a recent loss of influence and members, Chamber President Richard Leshner tacked toward the middle. He elevated William T. Archey, known as a “pragmatist,” to vice president. When Clinton took office, Archey steered the Chamber to a more conciliatory stance toward the administration. The Chamber backed the administration’s stimulus and budget packages and did not join the opposition to the Family and Medical Leave Act.

The Chamber’s position on health care was dictated in part by the same conciliatory political strategy but also by the realities of small-business economics. By 1993, 67 percent of Chamber members provided health insurance for their employees and were being hurt by rising premiums and by competition from other small businesses that didn’t provide insurance. In March 1993, the Chamber’s board of directors voted unanimously to back Patricelli’s recommendations, and the organization published a position paper drafted by Patricelli and his staff supporting universal health insurance financed by mandated employer contributions for 50 percent of the premiums.

**O**ver the next six months, as the administration’s task force was drafting its health plan, Clinton aide Ira Magaziner and other officials met once or twice a month with Chamber representatives to discuss how the plan should be framed. In the discussions, Patricelli, Archey, and Leshner voiced concern

about how the mandate would work and the size of firms that would be required to join the insurance purchasing cooperatives (later called “alliances”) that the administration was proposing. The administration did not satisfy the Chamber on the alliances—the Chamber wanted them voluntary for firms over 100 employees, and the administration finally settled on an upper limit of 5,000 employees. But the White House went at least halfway in meeting Chamber concerns about the mandate.

The Chamber objected to a predetermined payroll tax rather than a premium, and it wanted some subsidies for small business. In response, the administration incorporated a Chamber suggestion that it combine a premium with an upper limit on the percentage of its payroll that small businesses could devote to health care. The administration still insisted on employers being responsible for 80 percent of their employees’ premiums rather than 50 percent, as the Chamber had advocated, but it held open the door for compromise. In October, when Patricelli testified before the Senate on the administration’s bill, he was positive about its use of mandates. “We accept the proposition that all employers should provide and help pay for insurance on a phased-in basis,” he told Senator Edward Kennedy’s Labor and Human Resources Committee. Archey and Patricelli found fault with much of the bill, particularly the huge regional alliances, but they expected that they could significantly modify these features of the bill during the





congressional debate.

Since the first months of the Clinton administration, conservatives had been complaining bitterly about Leshner's and Archey's conciliatory posture. They were pilloried by *Wall Street Journal* columnist Paul Gigot, columnists Rowland Evans and Robert Novak, and *Human Events*, and by the 75-member House Conservative Opportunity Society, chaired by Representative John Boehner of Ohio. In one meeting, Boehner and the House Republicans in the Conservative Opportunity Society informed Archey and Leshner, according to one participant, that it was "the Chamber's duty to categorically oppose everything that Clinton was in favor of." Republicans refused to attend an awards banquet sponsored by the Chamber. Boehner, Representative Richard Armey of Texas, and Representative Chris Cox of Ohio contacted local and state Chambers to organize opposition to Archey and Patricelli, even urging that local Chambers leave the national organization. A Washington group, the Small Business Survival Committee, sent a letter to the Chamber board of directors signed by former board members protesting the organization's support of employer mandates. Like other Chamber critics, they equated support of mandates with support of the Clinton plan. Conservatives also mobilized talk shows. And House Republicans, determined to undermine the Clinton administration, threatened that if the Chamber persisted in supporting mandates, they would ignore Chamber lobbying on other issues.

**A**t the same time, the Chamber began to suffer defections among its rank and file, as its chief rival, the NFIB, began to raid the Chamber's members. The 600,000-strong NFIB, founded in San Mateo in 1943, has recently become more of a Washington activist organization, driven by its staff rather than by a hierarchy of organizations and chapters. Unlike the Chamber, it does not include publicly traded businesses. The group's typical business employs six or seven people; it grosses under \$300,000 and is much less likely to provide health insurance to its employees than a Chamber member. Like the Chamber, it is closely linked to the Republican party, but unlike the Chamber under Archey, it didn't loosen those links after Clinton's election. When the NFIB brought its members to Washington, it recruited House Republicans to brief them on health care.

As the debate over health care began, the NFIB unequivocally rejected the employer mandate that was at the center of the Clinton plan's financing. The NFIB even refused to testify at task force meetings. And over the next eighteen months, it devoted its resources to killing the Clinton plan through lobbying Congress. By the fall, its strident campaign was also beginning to win converts among businesses that the Chamber was trying to reach. The Chamber, which had lost members in the late '80s, began once more to suffer defections. Says Kristin Bass, who worked for Patricelli at the Chamber, "We were getting creamed in the field by NFIB. It was as much a market share, competitive issue as anything else."

The NFIB's message found a particularly warm reception among Chamber members that didn't provide health insurance, including large corporations like Pepsico, General Mills, and Woolworth that had growing numbers of workers who received few or no benefits. The National American Wholesale Grocers' Association resigned from the Chamber itself. The National Retailers Federation urged each of its members to pressure the Chamber. "It was the 30 percent that didn't provide insurance that were the most vocal," one staff member recalled. By February, Leshner, who had initially encouraged the Chamber's conciliatory line, was ready to reverse his stand. Then an event brought matters to a head.

#### THE STAMPEDE BEGINS

With the Business Roundtable scheduled to announce its position on February 2, the Clinton administration urged the House Ways and Means Committee to move up Chamber testimony from Patricelli to February 3 so that if the Roundtable went against the administration, Patricelli's testimony might counteract the negative publicity. As was customary, Patricelli submitted a copy of his testimony prior to the hearing, in which he reaffirmed the Chamber's support for an employer mandate. "We accept the proposition that all employers should provide and help pay for insurance on a phased-in basis," Patricelli's testimony read. When Boehner learned what Patricelli planned to say, he and other House Republicans contacted the Chamber and Chamber members in their district urging them to protest the organization's stand. Under intense pressure, Chamber President Leshner backed down. He ordered

Patricelli to change his testimony, and on the date of the hearing, a chastened Patricelli told the Ways and Means Committee that the Chamber "cannot support any of the mandate proposals that have been advanced in legislation by President Clinton or members of Congress." It was, in effect, a complete repudiation of the Chamber's and Patricelli's earlier position.

Later that month, the Chamber made it official. On February 28, the Chamber's board of directors voted to oppose not only employer mandates but also universal coverage. On April 5, Leshner fired Archey, and soon afterward Patricelli resigned his position as the head of the Chamber's Health committee. And for the next five months, the Chamber used its considerable resources to kill any chance of universal health insurance.

The Business Roundtable, which is composed of the CEOs of Fortune 500 companies, ended up playing an equally important role in defeating Clinton's plan. Founded in 1973, the Roundtable quickly demonstrated its clout by helping block a new consumer protection agency and labor law reform during the Carter administration. It took positions on health care issues from the beginning, largely through the Washington Business Group on Health, which it established in 1974. In 1985, however, it set up its own Health, Welfare, and Retirement Task Force, which became the focal point for debate over health care reform.

Within the Roundtable, there were four distinct kinds of businesses and CEOs, each of whom had a different vantage on health care reform. Some of the large manufacturing companies, including the Big Three automakers, Xerox, and the major steel producers, were members of the National Leadership Coalition for Health Care Reform and had backed its "pay or play" program for reform. Others, like IBM and Kodak, did not support "pay or play" but nonetheless supported the use of an employer mandate to fund universal access. These companies already insured their workers. Their CEOs saw national health care reform as a way to end the cost-shifting from the uninsured to the insured and, in the case of the auto companies, to defray the costs of their early retirees. They were not upset by price or premium controls. If they had a concern, it was about preserving the Employment

Retirement Security Act of 1974 (ERISA), which preempted states from micro-regulating employer health plans. More broadly, they wanted to be able to buy insurance for their employees nationally on terms that their managers negotiated.

Another group of companies was directly involved in selling health care to companies and individuals. It included large insurance companies like Prudential and CIGNA, drug companies like Abbott and Eli Lilly, and health care conglomerates like Humana. Many of these companies favored a managed care model of health reform that did not include employer mandates, price controls, or premium caps. Explained one consultant who worked with these businesses, "Their big concern was that, as far as they could tell, being in favor of an employer mandate also meant being in favor of price controls. If you get one, you were going to get the other." They were most comfortable with the health plan advanced by Representative Jim Cooper and supported by Enthoven's Jackson Hole Group. This plan eschewed employer mandates and premium caps and tried to hold down costs

**D**emocrats in Congress wanted to use compromise to win votes for a final plan.

and subsidize the uninsured by taxing the more expensive health plans.

A third group of companies insured many of their employees but had diversified into businesses where they employed many part-time and low-wage workers for whom they provided partial or no health care benefits. These included General Mills, Pepsico, Sears, J.C. Penney, and the Marriott Corporation. Many of them were opposed to comprehensive health reform. Explained Alan Richey, General Mills's vice president for compensation and benefits, "From our standpoint, there was a growing need to provide some stability for people on health care issues and we believed right from the beginning that this could be achieved through a relatively small amount of change that would focus on universal access and some minor underwriting reforms. Beyond that, we felt that the health care market, which has been in rapid change anyway, would develop reasonable alternatives for people."

A fourth group of CEOs headed companies that insured their employees and had a direct stake in health care reform but were nonetheless opposed

on ideological grounds to government intervention. These included Drew Lewis of Union Pacific and Jack Welch of General Electric. It didn't matter that health care reform could save their businesses money. They saw reform as the opening wedge for a more interventionist government that would eventually threaten their prerogatives in other areas. According to a senior White House aide, Lewis said that he was opposing the Clinton plan even though his company had "costed it out" and found that it would save millions annually.

The first kind of company, which strongly favored mandates and accepted the idea of price controls or premium caps, was in a minority within the Roundtable. These companies were at an even greater disadvantage in the Roundtable's Health, Welfare, and Retirement Income Task Force, which was chaired by Prudential CEO Robert C. Winters. At least 18 of the 35 companies on the task force were either in the health business or did not insure all their workers. A similar situation prevailed in the Roundtable's Washington Business Group on Health, whose president, Mary Jane England, was a former vice president of Prudential and, like

Winters, an active participant in the Jackson Hole Group and backer of the Cooper plan.

The White House began meeting with the Roundtable's Health Task Force almost immediately after taking office. According to the White House, Winters and the other CEOs initially expressed concern about price controls, about whether large businesses could opt out of the alliances, and about whether the health plan would undermine ERISA. One senior official said, "I got the impression that Winters thought we were moving in the right direction."

**B**ut by October, when the administration released its plan, negotiations between the White House and the Roundtable's task force had begun to break down. The meetings, one official recalled, became more "strident." Winters and the CEOs from other health-related industries took special umbrage at the premium caps in the Clinton plan. "The insurance and pharmaceutical companies were going bananas over price controls," recalled Ford official Susan Schackson. They were joined by General Mills, Pepsico, and Marriott, who

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rejected the employer mandates. Together, they set out to stop the Clinton plan. Explained Roundtable official Johanna Schneider, "There was a feeling that the Clinton plan was moving forward unless somebody stood up and said this is not going to work."

Of course, not all the firms in the Roundtable were ready to abandon the Clinton plan. But even firms like IBM and Kodak that supported the thrust of the Clinton plan objected very strongly to provisions regulating self-insured plans and allowing states to establish single-payer plans that could include large corporations. They also feared that the regional alliances would gain so much clout in the market that corporations would no longer have much bargaining leverage with health care providers.

The White House desperately attempted to keep the Roundtable in the fold. It insisted that it could compromise on premium caps, mandates, and ERISA but explained that Democratic committee heads in Congress wanted to use the process of compromise to win votes for a final plan. They set up meetings for the Roundtable CEOs with Ways and Means Chairman Dan Rostenkowski and pleaded with them not to reject their plan. They also held separate meetings with Kodak, IBM, and other companies in the Roundtable that were more sympathetic to their aims. But they couldn't satisfy these companies' worries about ERISA and about the freedom of action that corporate self-insurers would have under the Clinton plan.

With even the administration's supporters wavering, Winters moved quickly to get the Roundtable on record against the Clinton plan. His task force endorsed the Cooper plan, and in February, when the Roundtable's policy group convened, he got it to back Cooper. To make the outcome all but certain, Winters framed the issue as a choice between endorsing the Clinton plan and using the Cooper plan as a "starting point." Naturally, the CEOs, most of whom were uncomfortable with Clinton's plan but somewhat unfamiliar with Cooper's, chose Cooper over Clinton. But in their endorsement of Cooper, they rejected the tax financing that was central to the Cooper plan's

funding and cost control. It was as if they had endorsed the plan but not its provisions. Winters had, in effect, gotten them to back Cooper simply as a way of rejecting Clinton.

Afterward, some Roundtable officials insisted the organization had not tried to kill the Clinton plan and blamed the Clinton administration for the furor that surrounded the organization's vote. Mary Jane England explained, "My feeling was that, by having a knee-jerk reaction to the Business Roundtable, the administration polarized the issue. All the Business Roundtable said was that the Cooper plan ought to be considered as well." But General Mills's Richey knew better. He later boasted of the vote for Cooper and against Clinton, "The Roundtable became one of the first groups that stepped out and said this is bad for America."

Indeed, the Roundtable's vote was decisive in shifting overall business sentiment. While it did little to help Cooper, it opened the door for other business groups to reject the Clinton plan. NAM, which had been hedging its bets, followed suit three days later, declaring that "NAM is unable to support the administration's health care reform plan in its present form." Combined with the Chamber's opposition, the rejection by the Roundtable and NAM created a united front against the Clinton plan. Clinton could still claim the support of some individual companies and of smaller organizations like the National Leadership Coalition, but he had lost the support of the business groups that really mattered in Washington.

White House officials insist that even after the business organizations' defection, Clinton could have still gotten a bill through Congress. Perhaps under ideal conditions he could have, but as Congress began to debate health reform that spring, the conditions were not right for a bill to pass. Conservative attacks on Clinton's character and probity had begun to erode his authority, and Republicans in Congress, sensing the possibility of an electoral killing in the fall, had become determined to block any bill from passing. The recession's end reduced the sense of urgency about passing even a modest bill. And the forces in favor of comprehensive reform—unions and public interest organizations—were not sufficiently powerful to

Without the support of key business groups, what would have been difficult became impossible. Health care reform was doomed.



sway Congress. Without the support of the Chamber, Roundtable, and NAM, what would have been difficult became impossible. Health care reform was doomed.

### WHY BUSINESS BACKED OUT

Why then, in retrospect, did the business organizations fail to support the Clinton plan? One answer won't pass muster: that business was simply acting in its best interest. On the contrary, something very close to the Clinton plan could have held down costs for both large and small business. Some businesses would have been hurt—the small insurance firms that the HIAA represents, for instance, or some of the NFIB's mom-and-pop operations that didn't insure their workers—but most would have benefited. The "slippery slope" argument advanced by CEOs like Drew Lewis was also without merit. Business opposed reform in spite of its being in its long-term interest.

On a very basic level, business support for reform was a victim of the inescapable conflicts among businesses themselves that often prevent any kind of cooperation for long-term ends. Those businesses that sold health care or that didn't provide health insurance to their workers were able to outgun those like Ford or Bethlehem Steel that saw their interest in a universal health plan. "It was a classic example of the divisiveness of an issue in which the business community devoured its own," one veteran of the Chamber battle declared. In addition, reform was stymied by businessmen's—and Americans'—historic fixation with a Lockean liberal model of society in which government is at best a necessary evil. This vision remains barely below the surface in public debate and is ready to emerge when the specter of governmental activism looms.

American business leaders have periodically overcome their internal disunion and Lockean liberalism, but only under extraordinary circumstances. These have consisted of recessions or depressions that appear to threaten the viability of industry itself and to raise the specter of insurgency from below. During the Progressive Era and the Great Depression, business leaders were worried both about the system's survival and their own. During the Progressive Era, repeated financial panics lay the groundwork for unity between the powerful Wall Street and the smaller midwestern and southern banks, and led to the creation of the new Federal Reserve System. During both eras, the

threat of labor unrest and socialism underlay business support for labor reforms and collective bargaining. These kinds of conditions did not exist during the first two years of the Clinton administration. Whatever sense of urgency business felt about rising health costs abated as the recession abated; and labor is simply too weak today to scare business into attempting to co-opt its program of social reform.

American business also lacks today the kind of farseeing leaders who have the intelligence, objectivity, and authority to unite it around its long-term interests. In the Business Roundtable, Chamber of Commerce, and NAM, business leaders deferred in the end to CEOs who were acting primarily in their narrow, immediate self-interest without regard to the larger effects that health care reform could have on American industry. In addition, the men and women who lead the lobbies in Washington see their organizations as businesses. They compete for members and influence the same way that a company competes for profits and market share. The contest between the NFIB and the Chamber was over members and influence, not over the wisdom of their recommendations. In the health care debate, there was even the ultimate irony of conservative politicians—representing a narrow partisan interest—successfully lobbying major business lobbyists, who were in fact supposed to be lobbying the politicians.

**O**f course, Clinton must bear some blame for business's defection. He made a significant strategic error during his first months in office. Clinton took Roosevelt's New Deal and his Hundred Days as his model. He thought he could get a comprehensive program through a Democrat-dominated Congress. But Clinton didn't possess Roosevelt's majority, nor, needless to say, his political powers, and he governed at a time when extremely powerful forces were arrayed against change. At best, his situation was similar to that of Woodrow Wilson who won office because of a third-party challenge and who had to rely on support from Republicans and Progressives to adopt his programs. To pass national health insurance, Clinton would have been well advised to delegate a bipartisan commission to devise a health care plan—one that later could have avoided the pitfalls of partisan combat.

Clinton's critics have faulted the plan itself for

being overly complex and bureaucratic, but one must be careful here. As the experience of Democrats and Republicans who later tried to craft alternative plans demonstrated, it is very hard to develop a "moderate," incremental plan that doesn't have extremely negative consequences. Enforcing community rating by insurers, for instance, without enforcing universal coverage, will radically increase rates and costs. Clinton's plan was in many ways a brilliant synthesis that went beyond any prior comprehensive plan. It built upon rather than dismantled the emerging structure of health care. It tried to come to terms with vagaries of cost, quality, and universality. It needed serious modification, not wholesale rejection.

From business's standpoint, the Clinton plan's most serious weakness was its neglect of the knowledge and skill accumulated by corporate professionals over the last decade. The plan introduced in October 1993 assigned them little role in holding down costs and maintaining quality. And the ERISA provisions held open the possibility that they could be shoved aside entirely. Patricelli, Archey, and the corporate officials at the Business Roundtable or National Association of Manufacturers had reason to be put off by this aspect of it. But this was precisely that part of Clinton's plan that could have been fruitfully merged with Cooper's. Instead, any attempt at a new synthesis was sabotaged by Republican guerrillas acting with the tacit or active support of the business lobbies.

What happened with business and health care reform bodes ill for the American future. Health care reform was not simply one of many reforms that an administration could contemplate but was integral to addressing the country's social, economic, and fiscal ills. Genuine, and not merely punitive, welfare reform, for instance, is impossible without guaranteeing health insurance for the working poor. Over the long run, deficit reduction is impossible without curbing health costs. And national health insurance is the surest way that government can address the erosion of middle-class living standards. But without a business community moderately supportive of social reform, little is possible in the present era. The U.S. is on a slippery slope—not toward socialism, but toward the kind of mean-spirited capitalism that the earlier reforms of this century were supposed to mitigate. □

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# HEALTH REFORM, MEET TAX REFORM

BY DAVID KENDALL AND WILL MARSHALL

**I**n last year's abortive health care debate, the Clinton administration's fatal error was to make a universal entitlement to coverage the sine qua non of reform. The public rejected the administration's argument that its program would reduce costs while eliminating inequities and inefficiencies. To get reform back on track, Democrats need to recognize that controlling costs is the key not only to expanding coverage but to preventing its further erosion.

Rising cost is the one health care crisis that affects the insured and uninsured equally. It leads insurers and providers to reduce or deny care, and it absorbs public resources otherwise available to expand access. Furthermore, the government can check the cost spiral simply by refusing to subsidize it. Federal tax policy distorts private choices about health care, driving up costs and distributing subsidies inequitably. Reforming the tax exemption for employer-paid health benefits can make insurance markets more competitive, hold down costs, and free public funds better spent on expanding coverage.

Under current law, workers pay taxes on wages but not on health benefits that employers provide. Many people do not even know how much their company pays for their health insurance. As a result, many have the false impression that health benefits are a cost to their employer but not part of their compensation. Economists generally agree, however, that the more employees receive in health benefits, the less they are likely to get in take-home pay.

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The tax exemption favoring health benefits over wages is open-ended: The more your employer spends on an insurance policy, the bigger the tax break you get. When employers appear to be paying the bill and Washington subsidizes more expensive choices, employees have little incentive to choose the best buy among health plans. In effect, the federal government picks up a large chunk of the bill when employees pick more costly options.

The cost to the federal government is enormous: \$74 billion in foregone revenue last year (not to mention another \$20 billion to the states). The tax exemption is Washington's third largest health program after Medicare (\$158 billion) and Medicaid (\$87 billion).

The benefit is also inequitable. That's because the exclusion for health benefits, like any tax deduction, is worth more to people in high tax brackets than to people in low brackets. And, of course, millions of Americans without



employer-provided insurance get no tax subsidy at all. Government figures illustrate the exemption's starkly regressive impact. Households earning less than \$10,000 receive a tax subsidy only one-tenth as large as the benefit enjoyed by households earning more than \$100,000.

## ALTERNATIVES TO CURRENT POLICY

There are three main proposals for changing the federal tax treatment of health benefits:

- *Eliminate the tax exemption and redistribute the savings in the form of individual tax credits.* This option would make employer-provided health benefits taxable as income, but it would provide an offsetting credit and give everyone an incentive to purchase health insurance, a major step toward universal coverage.

- *Extend the tax break to include medical savings accounts.* This option would allow workers to take their employer's contribution to their health insurance, deposit part of it in a tax-free medical savings account for routine expenses, and use the balance to buy catastrophic insurance.

- *Cap the tax exemption at the level of an average- or low-cost health plan.* This would end subsidies for inefficient, high-cost plans, generating savings that could be applied toward covering the uninsured.

The first option—converting the current deduction into a tax credit—would offer equal benefits for everyone who had insurance. This would be a great improvement over current policy, which originally developed without careful thought or scrutiny. When the federal income tax was enacted in 1913, it did not apply to employee health benefits because there were hardly any. They did not become widespread until World War II when employers began to use health benefits to attract workers at a time when wages were subject to wartime price controls. Since then, federal tax policy has encouraged companies to give compensation in the form of health benefits instead of wages. But it has shortchanged the unemployed, the self-employed, and workers with wages too low to trade for benefits.

It is easy to imagine a more equitable way to distribute the \$74 billion annual subsidy: simply tax all health benefits as wages and give everyone a fixed share of the revenue in the form of a refundable tax credit. According to the Congressional

Budget Office (CBO), this would yield a credit worth about \$742 each year for every household. Three out of five households would get a tax cut, while those with incomes over \$40,000 would pay, on average, an additional \$384 in taxes.

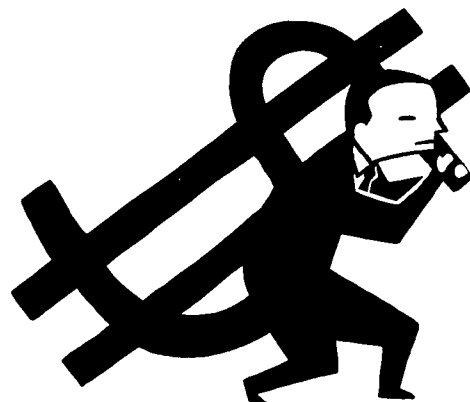
This change would promote efficiency by ending the current tax subsidy for high-cost health plans. Credits would expand coverage by giving everyone an incentive to buy insurance. Wider coverage, in turn, would reduce the widespread practice of shifting costs from patients who lack insurance to those who are covered. While tax credits would move us closer to universal coverage, additional steps would still be necessary to achieve that goal. These include subsidies to low-income families and a “free rider” tax or other requirement that everyone purchase insurance.

By severing the link between employment and health insurance, however, tax credits would undermine the chief advantage of the existing system: its ability to pool risks among large groups of employees. Businesses provide their employees a group rate, not different rates for healthy and sick employees. But if individuals rather than companies are buying policies, insurers have a strong incentive to cherry-pick the healthy and exclude people with costly conditions. Instead of offering group rates to the employees of one company, insurers would try to group together healthy customers from many companies. The result would be prohibitively high premiums for the very people who most need insurance.

Turning the deduction into a credit also presents a forbidding political challenge: higher taxes for millions of middle-class voters. The shift to tax credits may be feasible only in the context of broader tax changes that include middle-class tax relief.

## THE CONSERVATIVE PANACEA

Despite their manifestly redistributive intent, tax credits have garnered surprising support from the Heritage Foundation and other fonts of conservative wisdom. However, the health care reform of choice for most Republicans is the medical savings





account (MSA). Instead of buying comprehensive health plans, employers would buy less expensive catastrophic policies and use the difference to open medical savings accounts for their workers. Workers would use those tax-free accounts to pay for routine medical expenses—up to \$3,000 per family—and rely on their catastrophic coverage for more serious problems.

The idea is to give people an incentive to curb their demand for health services by letting them use whatever they don't spend on health care for other purposes. Presumably, the prospect of pocketing unused savings account balances would lead people to avoid risky behavior. In addition, people would be more likely to shop carefully for medical services if they had to pay 100 percent of the bill instead of 20 percent, the typical co-payment of a fee-for-service insurance policy.

MSAs undoubtedly would make consumers more cost-sensitive to ordinary expenses. But they also could have the perverse effect of undermining sound medical practice. They might, for example, encourage people to delay or neglect routine checkups, immunizations, prenatal care, and other services that have a long-term payoff. Skipping preventive care to save money in the short term may mean poorer health and higher costs later. Timely care also avoids unnecessary hospitalizations. The *New England Journal of Medicine* recently reported that patients at risk of a ruptured appendix are more likely to seek prompt treatment if they belong to a health maintenance organization (HMO), which has low out-of-pocket costs, than if they have a fee-for-service insurance plan, which typically has a higher deductible.

In any case, the impact of MSAs on health care inflation is likely to be small. Most health care spending stems from serious illnesses or accidents, not from routine care. The cost of an even minor hospital stay these days exceeds \$3,000; at that point, the MSA no longer constrains costs. According to the Employee Benefits Research Institute, about 60 percent of all health spending is for catastrophic care that costs more than \$3,000. In addition, many consumers already face hefty co-payments and deductibles for ordinary expenses.

**A**nother defect of MSAs is that they create new opportunities for insurance companies to cherry-pick. The young and healthy would be most likely to sign up for an MSA because they don't expect to spend much on health care and

can therefore use their accounts for other purposes. Parents, older workers, and people with medical problems or other disabilities are likely to stick with insurance policies that cover both routine and catastrophic care. Their premiums will rise as healthy people move into MSAs. The result will be to make both traditional insurance and managed care more expensive.

In addition to favoring the healthy over the sick, MSAs also channel federal subsidies to those who need them least. As with any tax deduction, MSAs are worth more to individuals in higher tax brackets. Yet low-income workers will have a tougher time covering the gap between the MSA and the high deductibles characteristic of catastrophic insurance policies. While Republicans couch their support for MSAs in the language of personal responsibility, it is revealing that their prescription for health care reform is most enticing to the healthy and the wealthy.

The progressive alternative to MSAs is managed competition. This approach also starts from the premise that the current health care financing system, built on employer-paid benefits, federal tax subsidies, and third-party insurance payments, is inherently inflationary. As long as someone else is paying for my health care, who cares if the bills are padded? Both approaches aim at making providers and consumers more cost-conscious. But here's where their economic logic diverges: MSAs throw a life preserver to an archaic and costly system of fee-for-service medicine that is rapidly being displaced by managed care. Managed competition would reinforce the shift to managed care while maximizing its potential for providing quality care at lower cost. By subsidizing the direct purchase of health care by individuals, MSAs also would undermine the traditional role of insurance in spreading the costs of illness across the whole community.

#### THE TAX CAP AND MARKET-BASED REFORM

Unlike MSAs, the third option—a cap on tax benefits—puts the onus on health plans to deliver better value at less cost. Insurance companies could no longer count on federal tax subsidies to insulate consumers from the pain of ever-rising premiums. Instead, they would be forced to lower their prices to attract more cost-conscious consumers. A tax cap would weed inefficient firms out of the market and promote competition on the basis of price and value. Consumers could still

choose more expensive policies, but they would have to pay taxes on employer-paid premiums for amounts that exceeded the cap.

According to CBO, a tax cap set at the cost of a typical plan would raise taxes for households earning more than \$40,000 by \$119 on average. This would raise \$19 billion in revenue—enough to subsidize coverage for roughly half the 41 million Americans who lack insurance. Unlike the conversion of the deduction into a credit, a tax cap would permit anyone to avoid paying higher taxes by switching to more cost-effective plans.

In last year's health care debate, an improbable coalition of labor unions and conservative Republicans joined in condemning the cap as a tax increase. Unions understandably resist the idea of taxing benefits they have fought hard to win in lieu of higher wages. However, health care costs have grown much faster than wages over the past decade. Limiting the tax subsidy would slow health cost inflation and thereby help restore the wage growth that labor wants to achieve. And the tax cap is the kind of progressive tax policy that unions have historically supported.

Ultimately, the best argument for the tax cap is that it would powerfully reinforce the restructuring of health care delivery and finance. Under fee-for-service coverage, providers face no financial incentive to find the most cost-effective way to treat their patients. On the contrary, the more services they provide, the higher their income. Under managed care, providers have an incentive to keep patients healthy and treat them cost effectively.

Some critics say the incentive to control costs will lead to undertreatments. But a managed care plan that undertreats its patients risks damaging its bottom line as well as its reputation, since it will be responsible for the higher costs of remedial treatment. The same incentives, to be sure, could lead unscrupulous plans to scrimp on care for seriously ill patients, hoping to drive them to other plans. That's why managed competition envisions "report cards" that hold health plans accountable by grading their patient retention, satisfaction, and outcomes.

Managed care is spreading rapidly: 64 percent of the nation's private workforce is enrolled in some form of managed care, up from 29 percent in 1988. The evidence strongly suggests a one-time efficien-

cy gain from switching to managed care, and competition among plans holds great potential for substantially slowing the rate of medical inflation. In the regions of California where competition is most intense, health insurance premiums are now actually falling.

While not all other areas of the country have seen the same extent of competition, the accelerating reorganization of health care markets has begun to slow costs nationally. Since 1985, the growth of national health care spending has slowed from 12 percent to 8 percent a year. But that's still much faster than the economy's overall growth rate of 5.4 percent.

A tax cap would promote managed care by ending the federal subsidy for more expensive, fee-for-service health insurance. To keep their health care

spending under the tax cap, employers would have a strong incentive to offer their employees a menu of competing managed care plans.

A tax cap works best with other key elements of managed competition: a standard package of health benefits, health purchasing groups, and insurance market reforms that ban "experience rating" or discrimination against people with "preexisting" medical conditions. Without them, it will be difficult to determine the low-cost

plan in a given area, which is the best benchmark for setting the tax cap.

**G**overnment  
can check the  
cost spiral  
simply by  
refusing to  
subsidize it.

#### PALATABLE COMPROMISES

The next best approach is to set the cap initially at the average price of health insurance, as determined by government surveys of private health plan costs. This would maintain pressure on costly plans to reduce their prices, but it would offer no incentive for plans to drive their prices below the average. To remedy this problem, Paul Ellwood, a leading architect of managed competition, proposes a "health bonus account." Workers who chose a plan priced lower than the average could deposit the difference tax-free into an account for covering medical expenses not paid for by their health insurance.

Health bonus accounts would capture the advantage of MSAs without their negative consequences. Health plans could use them to encourage responsible behavior; for instance, by lowering premiums for nonsmokers or making tax-free contributions to their bonus accounts. Like MSAs, bonus accounts

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would give consumers an incentive to limit their demand for medical services. Unlike MSAs, however, people would still have health plans that covered preventive and other appropriate care.

Although a tax cap would lead to lower health care costs and yield savings that could extend coverage to millions, it will likely still face opposition from unions and “no new taxes” Republicans. An interim step, proposed late in last year’s debate by managed competition advocates, would be to require employers to set a flat rate on their contribution to their workers’ health benefits. This would act like a tax cap. Whatever workers chose to spend above the flat rate would be taxable as income; if they chose a plan that cost less, they could deposit the difference in a health bonus account.

While this approach would not be as effective as a tax cap, it might overcome union resistance because companies and unions could negotiate a flat contribution high enough to protect existing contracts. However, it would create a new incentive to buy lower-cost plans, which would fuel competition in the health insurance market. Employers who have adopted this “equal contribution rule” have realized significant savings from increased competition. For example, average health plan premiums at Harvard and Stanford Universities and the University of California dropped 8 to 10 percent last year after they began using this rule.

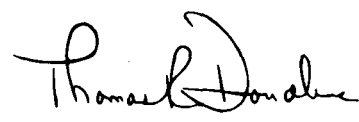
Whatever the method chosen for reforming the tax exemption, government has a crucial role to play in controlling health care costs. But it is not, as the Clinton administration thought last year, to replace broken markets with bureaucratic mechanisms that set prices and allocate resources. Americans are also unlikely to support a Canadian-style, single-payer health system. It is time for progressives to coalesce behind a strategy for comprehensive reform that has some realistic chance of being adopted. Capping the current tax subsidy for employee benefits would address the interlocking problems associated with the current system. It would promote consumer choice and affordable quality care; it would encourage wider access to private insurance; and it would reduce the inflationary pressures that affect Medicaid and Medicare. Reform of tax policy would be consistent with the public’s intuition about health care: If you want everybody to have it, you’d better first control its costs. □

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# HIDDEN KINGDOM

## DISNEY'S POLITICAL BLUEPRINT

BY JOSHUA WOLF SHENK

**W**illiam Sterner, mayor of Lake Buena Vista, Florida, says he's "like any small-town mayor." But Lake Buena Vista isn't quite like any small town. It has about 40 citizens, some 30 million visitors a year, and one business that owns virtually all its land.

The big landowner is the Walt Disney World Company, the tourist attraction is Disney World, and Mayor Sterner, who is a computer-operations supervisor in Disney World's corporate offices, governs at the company's pleasure. Were he fired, he could be evicted from the trailer park where he lives; the same goes for the roughly 40 other employees who live there, all of whom are nonunion. Lake Buena Vista's council executes only one order of consequence each year: turning over control of roads, utilities, inspections, and licensing to an entity called the Reedy Creek Improvement District, which in turn

is a creature of the Disney Company. Is this any way to run a theme park? You bet. Disney World's structure enables the company to act with the power of a government and the freedom of a private corporation to control every aspect of its property.

Walt Disney dubbed one of Disney World's attractions the Experimental Prototype Community of Tomorrow (EPCOT), but the name might better describe Disney's design for private government. Today, variations on the same blueprint abound not only in entertainment complexes but also in shopping malls and urban development districts where special tax arrangements and exemptions are increasingly popular means for extricating property from gov-

ernment oversight. In suburbs across the country, perhaps one-third of new developments are gated, with security, utilities, and other traditionally public services routinely delegated to private authorities.

For Disney, this approach clearly has worked. Total control has enabled Disney to isolate its Magic Kingdom from outside social, political, and intellectual currents. Tourists come from all over the world to enjoy the make-believe worlds that Disney sustains by banishing inconsistent influences.

But in carving out its own political jurisdiction, Disney has done more than simply pioneer a savvy marketing technique; it has redefined the boundaries between private and public space. The obvious appeal of this political experiment and its adaptability to other contexts raise a disturbing question. Disney's

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civic design may be an acceptable framework for operating a fantasy-based theme park, but should it really be, as Walt apparently intended, a blueprint for the public spaces of tomorrow?

### A BETTER MOUSE TRAP

When Walt Disney began planning his theme parks in the 1950s, he had already established himself not only as a successful entrepreneur but also as the patriarch of American childhood and the tycoon of the American imagination. What he still longed for was something beyond the two dimensions of celluloid film, books, or television. He wanted to entertain all the senses—in his own space, in his own way. He wanted to create not a virtual reality but an alternate reality that conceded no element of its environment to chance or outside influence. Political insulation was hardly incidental to this vision. It was a central part.

Disney's legendary lust for control first found expression in California's Disneyland. "I don't want the public to see the real world they live in while they're in the park," he said as the park opened in July 1955. "I want them to feel they are in another world." The 244 acres in Anaheim were encompassed by an enormous earth embankment, appropriately landscaped, to achieve this illusion. The whole park was structured as a show and all employees, from ticket takers to custodians to dancing Miceys, were called cast members. Disney saw his park as the future of entertainment and even as a model of cities to come: clean, efficient, safe, and controlled. He built himself an apartment above Main Street U.S.A., the park's central thoroughfare, to view the ongoing production.

But despite the park's success, Disney remained unsettled about the one element he could not control. Drawn by the millions of Disney customers, non-Disney hotels, hamburger stands and—worst of all—tawdry nightclubs and strip-joints sprang up on the park's border. The outside development, Disney thought, choked the magic illusion and threatened the artistic and commercial essence of the park. He would not make the same mistake again.

**F**rom the start, the project in central Florida dwarfed its predecessor in scale. To avoid a burst of land speculation, Disney used various dummy corporations and cooperative individuals to acquire 27,400 acres of land. (The company used the same trick when it bought the land for

its recently scuttled project in Virginia.) Once the property was secure, he initiated a vast lobbying campaign, which continued after his death in December 1966, to win exemption from state, county, and local regulatory authority. For the same reason he wanted an embankment around the Anaheim park, he now sought a multi-layered buffer zone, with borders both physical and political.

To reach the attractions, guests would travel through thousands of acres of swamp and brush designed with wildlife preserves, rivers and lakes, hills and valleys. The Magic Kingdom itself would be surrounded by an enormous moat, to be crossed by ferry or a futuristic monorail. Plans were drawn for a Disney airport, a 1,000 acre industrial park, and a community with 20,000 residents. Disney World would be its own autonomous civic unit, providing its own energy, water, police, and fire protection. It would set its own building codes and its own zoning authority; it would tax and issue tax-free bonds.

**P**olitical insulation was hardly incidental to Disney's vision; it was a central part.

When the Florida legislature convened in early 1967, Walt Disney himself, by then deceased, appeared on film to testify. Here he explained plans for a residential development, the original EPCOT, that would justify such vast delegation of authority. "It will be a planned, controlled community," he said, "a showcase for American industry and research, schools, cultural and educational opportunities." In the last year of his life, in great pain from cancer, Walt had secluded himself to map out what Steven Fjellman, author of *Vinyl Leaves: Walt Disney World and America*, calls "the culmination of a life that led from illustrator to animator to movie-maker to global fame as the voice of childhood." The natural next role, Fjellman suggests, was that of social planner and utopian philosopher. "In EPCOT," Walt promised, "there will be no slum areas because we won't let them develop."

It didn't take long for Disney and his lawyers to realize the fatal flaw of this original vision—that permanent residents of Disney World would threaten the company's control. But while they

tabled the plan, publicly they continued to tout EPCOT as the most compelling political and practical argument for permanent, unrestricted authority. Disney promised vast benefits for the residents in the form of quality homes, good schools, and generous public services. Besides, they argued, the constant improvement and experimentation required by such a futuristic community would be crippled by regulatory oversight.

The strategy paid off. The charter legislation for the Reedy Creek Improvement District—bolstered by the promise of EPCOT, but not requiring it—passed the Florida Senate unanimously and the House with one dissenting vote. In 1968 the state Supreme Court confirmed that Reedy Creek could issue tax-free bonds for internal improvements.

No corner of history, architecture, politics, or geography is allowed to stand in the way of good family fun.

This power, the court said, would “greatly aid Disney interests” but would carry commensurate benefits to the “numerous inhabitants of the district.”

The inhabitants never came; nary another word was said about building permanent residences on Disney property. EPCOT, planned as an urban utopia, was built in the early 1980s as part world’s fair and part corporate showcase, a potent symbol

that for Disney, utopian ideals and complete corporate control are intricately intertwined. Today, Disney officials deny having practiced deception with EPCOT, arguing that the residential community was always only one of a number of options.

Not much is made of this episode anymore. And though town-mouse relations have not always been smooth—in 1989, Reedy Creek gobbled up \$57 million in tax-free bonds that nearby Orange County had wanted for low-income housing—the company now kicks in for local road improvements and other related expenses, satisfying any lingering skepticism. An editorial in Orlando’s major daily paper in 1965, titled “Walt Disney to Wave His Magic Wand Over Us,” still resonates today: Disney’s illusions draw winks and chuckles; the company pays just enough attention to the way its

governmental control looks in order to preserve the way it is.

## CITIZEN MICKEY

Discerning the political skeleton beneath Disney World is a task roughly equivalent to mapping out the design of Cinderella’s castle from the view on Main Street, U.S.A. A trained eye might see the steel supports underneath the paint and plaster, but then there are the hidden rooms above, the network of tunnels below, the stuff Disney prefers to keep to itself.

The centerpiece of Disney’s political blueprint, the Reedy Creek Improvement District, is an independent government entity created by Lake Buena Vista (and its sister city Bay Lake) to carry out most normal municipal functions. According to Disney World Vice President Diana Morgan, the district’s board of supervisors “is not associated [with] nor do they work for our company in any way.” District administrator Tom Moses maintains that “we are basically doing what any good government does, trying to guarantee the health of its citizens and businesses.” Well, at least one business.

If anything, Disney officials say, outsiders should be grateful Disney was able to create such an empire without tapping into public resources. “Walt had a dream, and he didn’t want local taxpayers to have to pay for it,” says Morgan. “In 27 years, not a dime of federal or state tax money has been spent within these 27,000 acres. We’ve built our own roads and sewers and water plant. And we’re the largest taxpayer in Florida (\$46 million annually to Orange and Osceola counties) and we ask for essentially no services in return.”

Disney is glad to show off its benefits. For several hours one afternoon, Jane Adams, Disney’s public relations director, drove me around the property in her Mazda 626, pointing out elements of the massive infrastructure Disney created: the energy facility, the horticultural center, the service areas. I saw greenhouses, wildlife preserves, and the launching pad for the evening fireworks show. Ted McKim, manager of water and waste resources for Reedy Creek Energy Services, explained to me the intricacies of the water and waste treatment. Just what is Reedy Creek Energy Services? “It’s a wholly owned subsidiary of Walt Disney World. And we are contracted by the Reedy Creek Improvement District to provide these services.” In other words, Disney pays taxes to Reedy Creek, which gives the money straight back to Disney, and the circle is closed.

Such arrangements allow Disney an unparalleled ability to shape the park environment without government oversight. As Rollins College professor Richard Fogelson writes in the *Orlando Post*:

It's legal magic. The Reedy Creek government can regulate land use, provide police and fire services, license the manufacture and sale of alcoholic beverages, build roads, lay sewer lines, construct waste-treatment plants, carry out flood projects—even build an airport or nuclear plant, all without local or state approval.

With freedom from regulatory oversight, Disney could shape the land like so much clay. Take those creeks and streams—they're mostly man-made, landscaped to look natural. In fact, just about anything that's wet inside this district was made or altered by man. The 450-acre Bay Lake is pre-Disney, but it was drained, scoured, and filled with clean water. Five million cubic yards of earth were dug to construct the World Showcase Lagoon at EPCOT. Water flow throughout the park is regulated by radio telemetry and electronic sensors via a satellite in stationary orbit over the equator.

#### GLIMPSES OF TOMORROWLAND

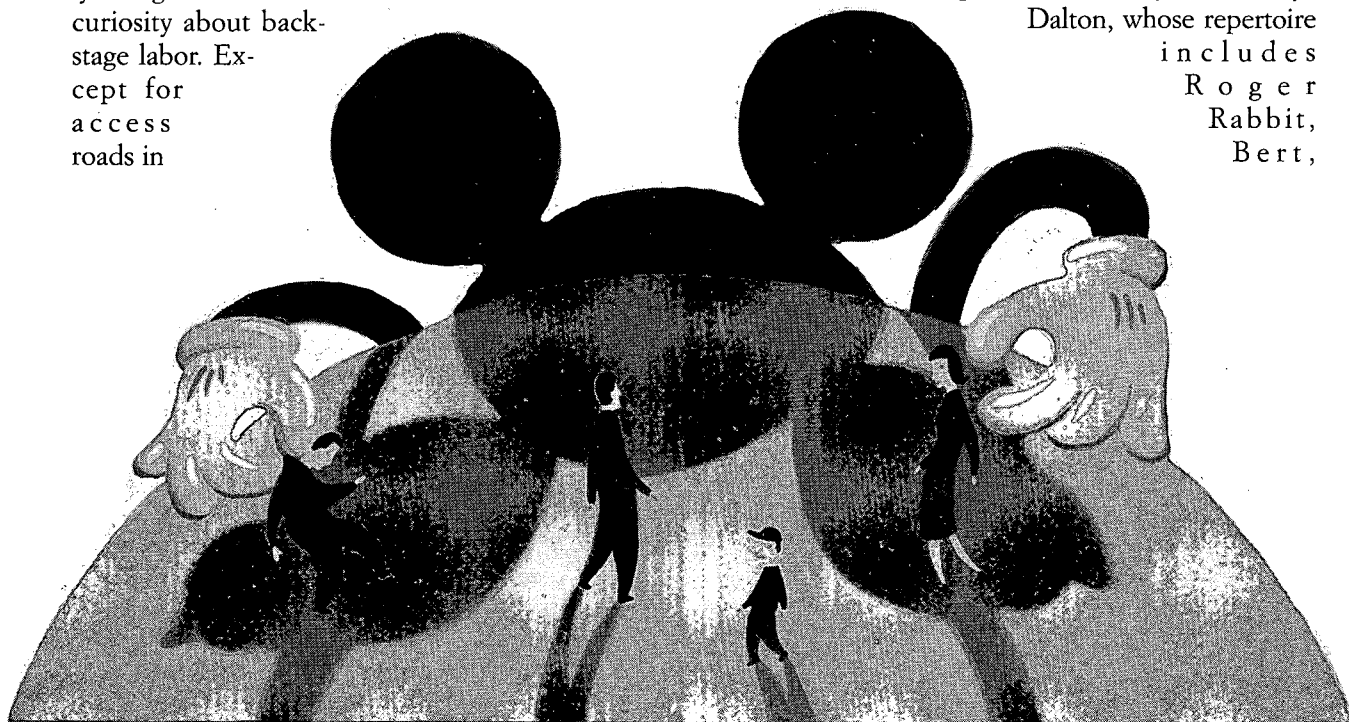
As far as tourists are concerned, most of those details are irrelevant. In fact, the area is meticulously designed to eliminate curiosity about backstage labor. Except for access roads in

and out, movement is strictly by Disney transportation. Walking among attractions, while not prohibited, is about as appealing as walking the shoulder of a highway. Most of the backstage is carefully concealed; what is visible is usually impossible to reach. And for the rare spots that might draw too-curious guests, Disney uses subtle landscaping: Walk through the grass and you'll likely find yourself in a drainage ditch.

Yet what goes on behind-the-scenes has more to do with the park experience than most patrons realize. The loops of Disney's self-government, where complexities mask the real transaction of power, find eerie parallels inside the parks, where the company manufactures everything from employee emotions to historical legend. The raw materials of the Magic Kingdom are not just earth, concrete, and paint but people and ideas as well.

Consider Disney's management of its employees' demeanor. Not only does Disney have strict rules about how employees look—no jewelry, no long hair for men—but it regulates how they act, too. In *The Managed Heart*, sociologist Arlie Russell Hochschild introduces the idea of “emotional labor” to describe the work required of many service employees to produce the moods, facial expressions, and body language that their employers require. Donna Lynn Dalton, 30 years old and a full-time character at Disney World, knows this concept all too well. “You do get hit on a daily basis,” says

Dalton, whose repertoire includes Roger Rabbit, Bert,





Ernie, Honkers, Grover, and Oscar. "You obviously try to get away. But you cannot in any way reprimand or retaliate." Wes Robinson, otherwise known as Goofy, Tigger, or the Sheriff of Nottingham, explains it this way. "It would be unbecoming for a Disney character to retaliate no matter what's happened to you—and believe me we get it."

Of course, Disney's charm—the stuff pilgrims tell the folks back home—is the feel of the place, its cleanliness, efficiency, and safety. Undesirables are kept outside the gates and, if they slip through, are monitored by security guards camouflaged as ordinary cast members or as tourists. For many visitors, this controlled community offers a freedom from the fear and distrust they feel outside. In line, a family from Tennessee chat amicably with a young couple from New York or an elderly gentleman from Tallahassee they might not otherwise ever meet: "Line's not too bad," they offer. "Whereabouts you from?"

All around us, meanwhile, is an environment in which the boundaries of the genuine and the illusory are collapsed, defined, and erased all over again. On Huck Finn's island, speakers hidden in fake tree stumps project real recorded bird calls. The Hall of Presidents features a robotic Bill Clinton, speaking a made-up speech with the president's real voice, while a robotic Abraham Lincoln delivers a real address with a fake voice.

No corner of history, architecture, politics, or geography is allowed to stand in the way of good family fun. Mark Twain is scrubbed clean of his cynicism; the World Showcase reduces the world to an afternoon of cultural platitudes and gift shops. With its myriad corporate-sponsored pavilions ("Horizons," by General Electric; "Universe of Energy," by Exxon; "The Living Seas," by United Technologies), EPCOT's Future World is, in essence, a series of arguments for placing our trust in corporate ingenuity. In spots such as Disney World, writes Ada Louise Huxtable in the *New York Review of Books*, "the ostensible purpose of the reproduction, to make one want the original, has been supplanted by the feeling that the original is no longer necessary. The copy is considered just as good and, in some cases, better."

For sure, Walt Disney was a visionary and a utopian. But most of all he was a salesman. The Walt Disney empire is more about profits than politics, and this includes its relentless tampering with reality. No one is forced to enter the park. And civil libertari-

ans in central Florida have no horror stories of abuses in this corporate-controlled enclave. But this is little comfort. Whether inspired by pure capitalism or grander social designs, the triumph of private ownership over public space in Disney World has set a dangerous precedent.

Just last year, H. Wayne Huizenga, Blockbuster Entertainment Corporation's founder, won wide authority to collect taxes and condemn land on 2,500 acres in southern Florida that he planned to turn into a sprawling sports and entertainment complex—an idea he consciously modeled on the Disney blueprint. Although Viacom, which bought Blockbuster last year, pulled the plug on Huizenga's project, it's a safe bet other such developments will follow, in other states and from other companies, with similarly enthusiastic support from both the authorities and local voters.

**A**t stake is the control of public space. Americans may have so despaired of government that they are ready to concede authority over whole communities to private corporations. But, then, who insures democratic accountability? And where does corporate power end? If the concern sounds apocalyptic, talk to the residents of Columbia, Maryland. When the Rouse Corporation built the community in the 1960s, it meticulously planned everything from the location of street signs to the composition of the population. Thirty years later, the community's citizens are staging a minor revolution in an effort to wrest control over zoning, taxes, and other issues from the corporation's puppet development council.

What's most disturbing, of course, is that the upstart residents of Columbia may be the exception—and that only the most blatant usurpation of public space is likely to provoke such a reaction. The "secession of the affluent," as Robert Reich has called the growth of private communities and private governments, is an acceptable solution to our problems only if democracy is irredeemable. In *Variations on a Theme Park*, Michael Sorkin argues that "effort to reclaim the city is the struggle of democracy itself," sounding a battle cry against the private usurpation of public space that few Americans seem interested in heeding. That democracies produced these lost places in the first place only makes the struggle to save them all the more complicated, but no less important. □

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# THE MESSAGE OF 187

PETER H. SCHUCK

**T**he latest earthquake out of California is political, not seismic. The reverberations of Proposition 187, the anti-illegal immigrant initiative on the state's November 1994 ballot, have already registered high on the Richter scales in state capitals and Washington, where politicians see that Pete Wilson's firm identification with Proposition 187 was largely responsible for his sweeping re-election victory. The law's aftershocks are even unsettling Europe, where leaders in almost every country face their own immigration crises, desperately seek solutions, and often look to U.S. experience for guidance.

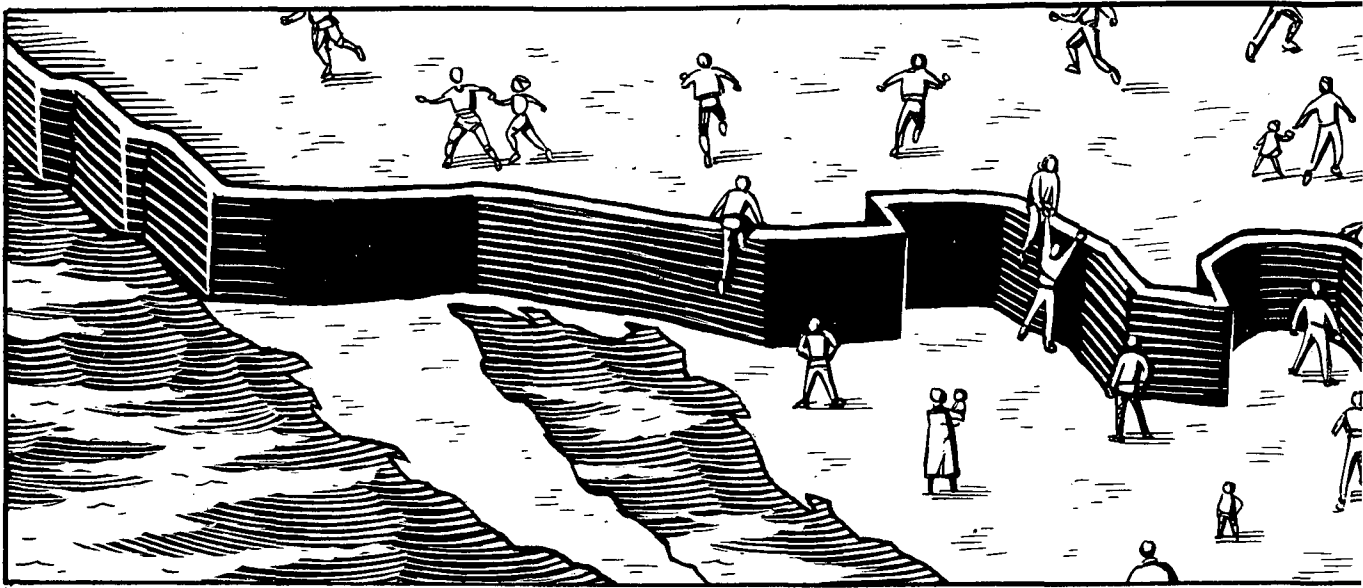
Is Proposition 187 a firebell in the night (as was said of the Dred Scott decision), warning of imminent civil conflict? Or is it instead just a flash in the pan, one more California exotic that flourishes in that state's unique climate but fails to take firm root elsewhere? Proposition 187, I believe, lies somewhere in between. It is less a spasm of nativist hatred than an expression of public frustration with a government and civil society that seem out of touch and out of control, and with external convulsions that our borders can no longer contain. Although the alarms that motivated Proposition 187 are exaggerated and widely misunderstood, the law is nevertheless a warning—a primal scream, as one political commentator called it—to all of us who are friends of immigration and have slumbered in the wistful hope that illegal residents and the political problems that they create would, quite literally, go away.

## BRENNAN'S LEGACY

Proposition 187 is a melange of different policies that seeks to stem the flow of illegal aliens into California, encourage the state's roughly 1.4 million illegal residents to go home, and expel the rest. The most controversial provisions would bar anyone who is not a citizen, legal permanent resident (green

## FACING UP TO ILLEGAL IMMIGRATION

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card holder), or legal temporary visitor from receiving public social services, health care, and education. The provisions differ slightly for each service, but they generally impose three duties on all service providers: to verify the immigration status of all who seek services, to promptly notify state officials and the INS about whoever is “determined or reasonably suspected to be” violating the immigration laws, and to notify the alien (or in the case of children, their parent or guardian) of their apparently illegal status. Proposition 187 is no ordinary law; it provides that the legislature cannot amend it “except to further its purposes” and then only by a recorded supermajority vote in each house of the legislature or by another voter initiative.

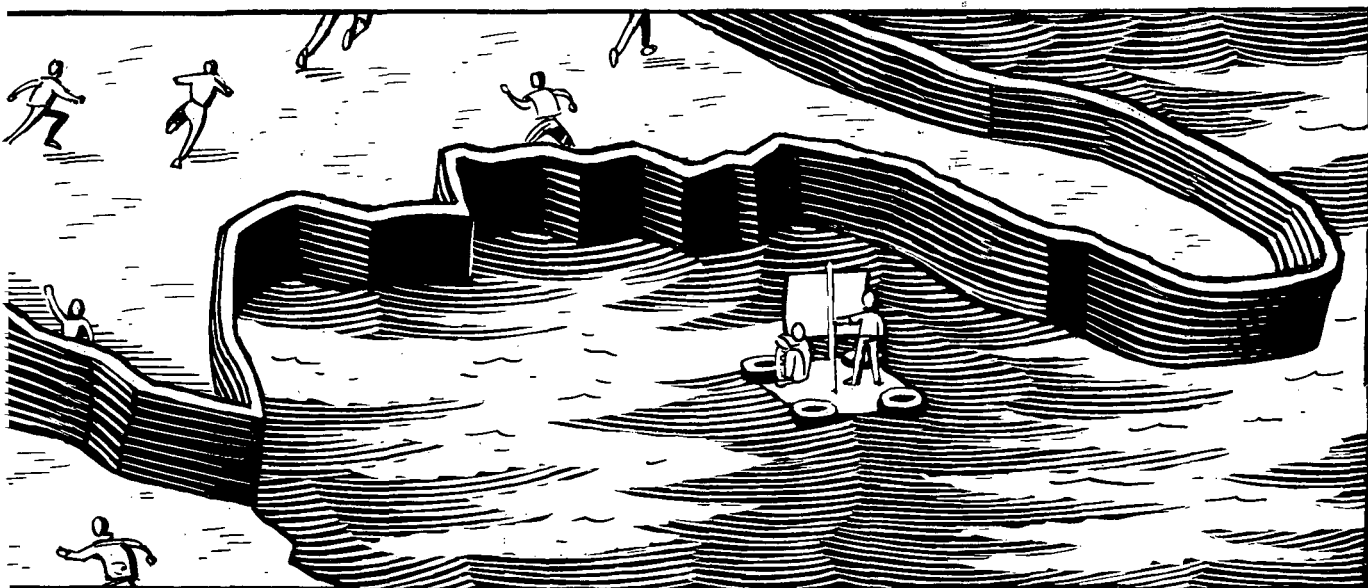
As a practical matter, the parts of Proposition 187 that would deny public services may never be implemented. Immediately after voters approved it, immigrant advocate groups and some local officials filed a blizzard of legal challenges to the constitutionality of the heart of the measure’s service denial and reporting provisions. (Since Proposition 187 provides that its sections are severable, some might survive even if others were struck down.) A federal judge immediately enjoined it pending trial, and most commentators believe that the courts will ultimately strike down some if not most of the measure.

But the legal challenge against Proposition 187 is not nearly as solid as many say. Indeed, a closer look at the relevant constitutional precedents suggests that the courts could uphold the law if they have a mind to do so.

The courts have long prohibited the states from discriminating against legal immigrants, largely on the grounds that the state’s authority in this area is subordinate to the federal government’s. But until recently, the courts had never addressed *illegal* immigration. It simply had not been a major issue.

That started changing about 30 years ago. INS arrests—a very crude, unsatisfactory indicator of illegal entries—swelled from 1.6 million during the 1960s to 8.3 million in the 1970s, and then continued to rise in the early 1980s. When states and localities sought to protect their education and health care budgets by imposing restrictions on the newcomers’ access to benefits, the courts could no longer duck the issue. In 1982, the Supreme Court decided *Plyler v. Doe*, a class-action suit brought on behalf of undocumented Mexican children living in Texas. Upholding the ruling of a lower court, a five-to-four majority struck down a statute that withheld from local school districts any state funds for the education of any child who was not legally admitted into the United States.

The constitutional challenge to 187 rests mainly on this precedent. Writing for the *Plyler* majority, Justice William Brennan had argued that the Texas law would inevitably harm children. These children would eventually obtain legal status in this country, yet would be “permanently locked into the lowest socioeconomic class.” Brennan acknowledged that the state had some leeway in such matters: Under equal-protection principles, illegal alien status is not



a “suspect class” like race or religion, and education is not a “fundamental right.” Hence, it did not require heightened judicial scrutiny. Nevertheless, Brennan said, a law that denied children “the ability to live within the structure of our civic institutions . . . can hardly be considered rational unless it furthers some substantial goal of the State.”

Brennan conceded that keeping illegal aliens out of the state might be a legitimate state goal. But the trial court had found that the Texas law had neither the purpose nor the effect of doing that, and Brennan agreed. The Texas law might save some money, according to Brennan, but Texas failed to establish that illegal aliens imposed a significant fiscal burden on state coffers or that their exclusion would improve the quality of education. Besides, Brennan said, federal immigration policy was not concerned with conserving state educational resources, much less with denying an education “to a child enjoying an inchoate federal permission to remain.” (This referred to the possibility that an illegal alien might obtain discretionary relief from deportation.) All the Texas law would serve to do, Brennan said, was promote “the creation and perpetuation of a subclass of illiterates,” who would be socially dysfunctional and a burden to society. That, he said, clearly was not something the states were allowed to do.

The parallels to Proposition 187 are obvious. Both would in effect bar undocumented children from the public schools; if anything, California’s new ban on enrolling such children is even more

categorical and rigid than the Texas statute invalidated in *Plyler*, which simply denied state funding for those who were enrolled. Any court that accepted Brennan’s premises in *Plyler* would have a hard time sustaining Proposition 187.

#### WHY THE COURT MAY TURN

Brennan’s opinion, with its plea for “innocent children” and its recognition that many of them will grow up in the U.S. anyway, has an undeniably powerful resonance. Yet Brennan’s argument had its soft spots, including an unwarranted emphasis on the uniqueness of education benefits in justifying special constitutional protection for children. It is one thing to say that children should not be penalized for parents’ illegality. But Brennan never explained how the denial of schooling to a child differs from the denial of other governmental benefits to an undocumented parent, upon whose income and well-being the child’s welfare ultimately depends. The Court has always permitted the government to deny illegal parents access to the private employment and public benefits that provide the children’s essential economic support, arguably harming the children (who may actually be U.S. citizens) even more grievously.

If a state may do that, why can’t it deny those same children access to the schools? Does *Plyler* mean that a state may not exclude from public housing a family in which an adult has committed a serious crime? Is the Court’s rationale consistent with the INS’s clear power to deport the undocu-



mented parents of children—children who not only had no role in their parents' wrongdoing but may be U.S. citizens themselves? In each of these cases, the child suffers because of the parent's illegal status, at least as much as under the Texas law.

A second weakness in Brennan's reasoning—his denial that the Texas law corresponded to any identifiable congressional policy or operated harmoniously within the federal program—has grown even more vulnerable in the post-*Plyler* years. Even in 1982, the federal policy against illegal aliens was clear enough: Illegal entry was a federal crime. Congress had spent more and more money to prevent it and had expressly barred illegal aliens from numerous federal benefit programs, and the Court had upheld California's own employer sanctions law on the ground that it was consistent with federal policy. Since then, Congress has implemented a much more comprehensive strategy of immigration enforcement. Post-*Plyler* measures include employer sanctions, severe penalties against smuggling and immigration marriage fraud, expedited deportation procedures for criminal aliens, streamlined asylum procedures, assistance to states in detecting welfare claims by illegal aliens, tighter visa screening, new enforcement technologies, and a huge funding increase for border control at a time when other agency budgets were frozen.

These changes have not been terribly effective. Eight years after Congress imposed employer sanctions, for example, illegal entries are back to the prereform level (although they would almost certainly have been even higher had employer sanctions not been instituted). Other reforms have also yielded disappointing results.

Yet substantial effectiveness cannot be the touchstone of constitutionality; if it were, many public policies would probably be doomed. And what would be the benchmark of effectiveness to which the Court would compare the law being challenged? In effect, Brennan used the inherent difficulty of immigration control as a justification for making it even more intractable. He assumed that exclusion from the schools was a wholly ineffective way to influence migrants' behavior, yet it is surely true that at least some parents are less likely to immigrate if they know their children will be denied schooling. Illegal aliens always have alternatives: They can return home or refrain from coming in the first place. These options may seem harsh but they follow directly from the premise of nation-

al territorial sovereignty, a premise that the Court has always affirmed.

Subsequent developments may also invalidate the other cornerstone of Brennan's decision—the fact that Texas was unable to prove financial harm from illegal immigration. In California, 1.4 million illegal residents comprise 43 percent of the national total and account for nearly 5 percent of the state's own population. An Urban Institute study has provided the first objective assessment of how this concentration affects communities—an assessment that was not available when *Plyler* was decided. The study covered only three cost categories: education and emergency medical services to which illegal aliens are *legally entitled* and the costs of incarcerating those convicted of crimes. (One in five inmates in California state prisons is a deportable alien.) Those costs are substantial—about \$1.75 billion a year in California alone. The study, moreover, did not include either the benefits that illegals fraudulently obtain or the other costs that they impose. Partly offsetting this \$1.75 billion, the study estimated, is \$732 million in revenues generated from sales, property, and income taxes on illegal aliens in California. (The fact that many illegal alien workers pay federal payroll taxes but do not claim Social Security benefits does little for California, although it certainly affects the overall calculus of the benefits and costs that they produce for the nation as a whole.) These arguments will become even stronger if the devaluation of the peso sends a new stream of Mexicans north.

**O**f course, the legal challenge to Proposition 187 does not rest entirely on the strength of Brennan's opinion; indeed, a decision to strike down the law could well rely on two other arguments.

First, while the federal government has moved to curb illegal migrants, it has never cut off many of their benefits, notably including public education in federally assisted schools and emergency Medicaid services. The courts could take this inaction to mean that Congress remains satisfied with *Plyler* and does not wish to undermine the decision's rationale.

Second, a court wishing to invalidate Proposition 187 could cite the many practical problems that implementation would present, in order to show that the law is so irrational as to be unconstitutional. How, for example, will California school officials know whom to exclude? Federal law pro-

protects the privacy of any “personally identifiable information” in students’ educational records and severely sanctions violations. (Immigration expert Wayne Cornelius predicts that if Proposition 187 is found to violate the privacy law, California could lose up to \$15 billion in federal funds.) The Fourth Amendment bars officials from stopping and questioning people without having “a particularized, reasonable suspicion based on specific articulable facts.” Neither skin color nor surname alone satisfies that test. So unless an alien volunteers her illegal status, due process principles almost surely require a hearing before the state may withdraw benefits previously granted. Much litigation would ensue.

Meanwhile, many U.S. citizens and legal aliens would get caught up in the dragnet, provoking an even worse political backlash than the kind now produced by clumsy INS enforcement sweeps of shops and factories where many legal employees also work. The dragnet problem would also plague the many families in which some members have legal status and thus qualify for benefits while others are illegal and do not. INS efforts to deport the illegal members would trigger even more legal wrangling because existing immigration law provides several discretionary remedies that are designed to avoid precisely this kind of family-splitting and personal hardship. Many service providers have also said that they will ignore the new law even if the Court upholds it. Hence, it is unlikely to be vigorously implemented.

**T**he challenge to 187, then, could go either way. A court eager to strike it down could emphasize its resemblance to the law Brennan struck down in *Plyler*. Even a court uneasy with *Plyler*’s rationale could stress Proposition 187’s bluntness as a policy instrument for a problem largely outside California’s constitutional authority. Only two of the *Plyler* dissenters, Rehnquist and O’Connor, remain on the court; even if Scalia and Thomas joined them they might be unable to pick up a fifth vote.

But a court determined to uphold Proposition 187 by overruling *Plyler* or by distinguishing it away would at least have plausible grounds for doing so. Although justices are usually reluctant to overturn precedents, a standard argument against doing so—that the precedent has engendered legitimate expectations and stakes in the status quo—

seems particularly weak because illegal aliens can have no legitimate expectations of remaining here, much less of receiving public benefits. The court could focus on the analytical soft spots in Brennan’s “innocent children” logic, on the fact that today’s federal policies against illegal aliens are far more comprehensive than they were when *Plyler* was decided, and on California’s high costs of educating illegal alien children, costs that the federal government does little to help defray.

Moreover, this court could simply limit the new decision to its facts, invalidating Proposition 187’s ban on basic schooling—thus preserving *Plyler*—while upholding its ban on social services, non-emergency health care, and higher education, as well as the reporting provisions. A court sympathetic to California’s policy might also allow the state to repair some of the law’s defects through narrowing regulations.

#### WHAT VOTERS WERE SAYING

If Proposition 187 does survive the legal challenge, many other states—and perhaps the federal government—are likely to consider similarly restrictive measures. Virginia, for instance, recently required its schools to verify the legal status of all students over 18 years of age enrolled in English as a Second Language programs, and of all students over 20 who entered the U.S. after the age of 12, or risk losing some state funding.

It is tempting to dismiss this legislative impulse as mere nativism or racism, as so many on the left have done. But the anger behind Proposition 187 focused on illegals, not legal immigrants. Governor Pete Wilson took great pains to underscore that distinction on the campaign trail. In his advertisements and public statements, he praised legal immigrants’ contributions to society while accusing illegals of taking jobs away from Californians and consuming scarce public services. (The precise size of the adverse effects and the offsetting benefits generated by illegals remain hotly contested issues that he failed to discuss). A survey conducted by Ron Unz, Wilson’s opponent in the primaries, found that most supporters of Proposition 187 were primarily motivated by perceived welfare dependency by illegal residents—not by aliens per se. A majority of Asians and blacks, plus nearly a third of Latinos—hardly a nativist coalition—voted for the measure. (In Texas, an even larger fraction of Latino voters indicated they would have sup-

ported such a measure had it been on the ballot there.)

Proposition 187, like the "official English" laws approved in California and elsewhere since the mid-1980s, was a symbolic message to policy elites. Both measures are grand gestures with few practical consequences other than to convince politicians that many voters now view American society as increasingly alien (literally) and uncontrollable. These voters responded angrily to the vivid television images of Mexican officials denouncing the measure and to the marchers in Los Angeles waving Mexican flags and protesting its limits on welfare benefits. On election day, the voters said that illegal immigrants, industrious as they may be, are part of the problem and that Proposition 187, crude as it is, is part of the solution. It is no solution, of course, but that only underscores the need for a sounder political response in order to forestall future initiatives of this kind.

**T**hat response should begin with the candid recognition by leaders that illegal immigration, even at current levels, is not an unmitigated evil and that immigration enforcement competes for resources with other social goals. Although it is hard to admit that we tolerate some lawbreakers as a matter of policy, the fact is that we do—and we always will. This is especially true when the illegal transactions are between consenting adults and arguably make everyone better off on balance. The U.S. is a large country with relatively low population densities even in the cities, and with a vast economy that needs more unskilled labor than domestic workers are willing to supply at current wage levels. It can continue to assimilate a significant number of illegal aliens so long as the costs are not too high or too localized.

Granted, illegal aliens do impose a cost on society. But the cost may be lower than many critics say. Restrictionists stress the recession in California, but then what about the booms in places like Texas or South Florida? Labor economists are divided on many fundamental methodological and empirical questions: Is the low-wage labor market in which most illegals work segmented or unitary? Are citizens and other legal workers displaced by illegal workers, or would they not accept the jobs and wages that illegals take? How many jobs do illegal aliens—who are producers and consumers—create? What are the long-term effects on the econo-

my of retaining low-skill jobs rather than moving to more technologically advanced ones? Can labor market effects be assessed by examining a metropolitan area, or must we also examine illegal aliens' effects on legal workers who are discouraged from migrating to areas where illegal aliens are concentrated? Do illegal immigrants work at lower wages for the same work? (Most evidence suggests otherwise.) Their work and consumption enables all Americans to enjoy lower prices, better services, and a more efficient economy, at least in the short run. (Of course, the benefit-to-cost ratio favors those who live far from the illegal enclaves—those who need not compete with illegals for public services and entry-level jobs.)

It is true that the absolute number of new immigrants, legal and illegal, has never been higher. But it is also true that the proportion of America's foreign-born population is lower than it was at the beginning of the century (8 percent versus 14 percent), and only half what it is in Canada today (about 16 percent). New immigrants' share of the U.S. population is far below the share in the high-immigration years prior to World War I. The vast majority of aliens who enter illegally are more or less seasonal migrants; (only) 300,000 a year become long-term residents, a number only slightly higher than the 250,000 American citizens and legal resident aliens estimated to leave the U.S. each year to live elsewhere permanently. Many of the illegal aliens who remain will manage to obtain legal status by successfully obtaining asylum or persuading the INS to adjust their status.

Even if the government decided it wanted to eliminate illegal immigration completely, it could not do so. For almost a decade, the INS enforcement budget has grown at a more rapid rate than that of almost any agency in government. It grew by 25 percent last year, and will probably increase more this year. Yet illegal immigration has not fallen off (though it surely would have increased were it not for the increased INS funding). Americans could have expanded the border patrol line the entire southern border shoulder to shoulder, but Congress has concluded, probably wisely, that these funds would be better spent on other things. Effective enforcement requires a secure national identity card, yet this would be costly, bitterly controversial, and perhaps technically unworkable.

To tighten the borders effectively, better consular and asylum screening would also be critical;

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half the illegal aliens enter on visas issued by our foreign service officers abroad and many others successfully exploit the procedurally complex asylum system. Low-level visa decisions, however, are notoriously difficult to make and hard to control, and the INS's brand-new asylum procedures remain untested—both in the field and in the courts. At Congress's insistence, deporting the 90,000 criminal aliens now in federal and state prisons has become a top INS priority, but this too will require increased resources and sustained management attention, from an agency historically renowned for its incompetence.

Proposition 187 will probably reduce some migration, especially by women and their small children, who constitute a growing fraction of the illegal flow. But the enormous legal and practical obstacles to implementing laws like Proposition 187 will always limit their effectiveness. A vast, prosperous nation with strong due process and equal protection values and a 2,000-mile border with the Third World cannot eliminate illegal migration; it can only hope to manage it. Our leaders must tread this thin line.

#### DO OUTSIDERS HAVE CLAIMS ON US?

Even so, Proposition 187 insists that government need not provide public services for those illegal immigrants. While the constitution protects illegals as "persons," Congress can exclude them from public education if it wishes—even though the states cannot unless Congress permits them to do so.

Such a move would be perverse. If our enforcement policy "allows" illegal aliens to enter and remain long-term (but illegal) residents, then Brennan was surely right: There is little point, and even less justice, in consigning them to lives of ignorance, dependency, and discrimination by denying them education—a denial that would injure not only them but the American communities in which they will live and work. For much the same reason, they should also receive emergency medical care.

Beyond that, however, there is room to dispute the moral claims of illegal aliens. Most of us doubt that illegal aliens have legitimate claims to public benefits such as AFDC, food stamps, housing subsidies, and higher education. We also should distribute more fairly whatever net financial burden illegal residents impose upon state and local governments. Although Washington has exclusive

power to control the border and deport illegals, the costs of federal enforcement failures fall on the states. The federal constitution now requires the states to provide illegal immigrants with public education, the most costly service, yet Congress pays only a tiny fraction of the bill. Federal law mandates that legal and in some cases illegal aliens receive a host of other public benefits and services. But while states bear about two-thirds of the costs for such services, two-thirds of the taxes legal and illegal aliens pay go straight to Washington. This fiscal mismatch is even greater in the case of illegal aliens, who pay federal payroll taxes but claim relatively fewer benefits than legal aliens and citizens.

Calculating this imbalance will not be easy. Marginal benefits and costs are hard to measure and set off against one another. Remedying the imbalance may be even harder, given the experience with the old "impacted aid" program for communities with military installations and the more recent program to defray the state costs of the amnesty program for illegal aliens. Congress's new interest in unfunded mandates reflects less a desire to rectify intergovernmental inequities than a desperate search for budget savings; if the savings do not materialize, congressional enthusiasm in this area will quickly evaporate, leaving the states no better off. Still, even crude justice is better than none.

Congress is now considering proposals to reduce benefits for legal immigrants as well. In 1993 Congress limited Social Security Income (SSI) benefits for low-income elderly legal aliens in response to a dramatic increase in claims. This affected almost 700,000 immigrants, 10 percent of the SSI caseload. Now, with the victory of Proposition 187, members of both parties have proposed even broader restrictions on benefits for legals. Speaker Newt Gingrich calls himself "very pro legal immigration" and has criticized such proposals, as have GOP stalwarts Alan Simpson, Jack Kemp and Bill Bennett. Legal aliens are, however, a weak political constituency. Their benefits will be especially vulnerable in the headlong rush to cut government spending.

Proposals to deny legal aliens federal benefits raise a fundamental issue that we have avoided since the McCarthy era—the nature of membership in a liberal polity. Are legal permanent residents like tax-paying citizens who lack only the franchise? Or are they on probation, obliged to demonstrate good behavior and financial indepen-



dence unless and until they naturalize? In its 1976 *Diaz* decision, the Supreme Court seemed to endorse the "probation" model, broadly upholding Congress's power to discriminate between citizens and all (or only some) aliens in distributing public benefits. In general, however, Congress has tended to treat all legal resident aliens like full members in most important respects, including benefits.

To be sure, circumstances have changed since *Diaz*. Immigration (legal and illegal) and public benefits (especially education, health care, and SSI) have grown enormously. Welfare receipt by some legal immigrant groups, including refugees from Indochina and immigrants from the Dominican Republic, is very high and often long term. To produce a hoped-for \$22 billion in savings over five years, Congress would not even have to pass a new law; the federal government could enforce an existing but rarely used law that requires the U.S. relatives of family-based immigrants to make good on pledges of financial support for the immigrants.

But as with Proposition 187, the savings from excluding legal aliens may prove illusory. Many Indochinese refugees, for example, combine low education and few skills with strong political claims to at least temporary assistance. Even if cutting off federal benefits would save Washington some money, the states will have to fill much of the gap; the Supreme Court has ruled that they cannot discriminate against legal residents without congressional approval. State general assistance programs constitute the final safety nets for indigents who are ineligible for federal benefits, and cuts in federal benefits will drop some legal permanent immigrants into those nets. These federal cuts could also have the unintended effect of encouraging legal permanent residents to naturalize quickly to protect their access to benefits. Although increased naturalization is highly desirable, it will dissipate the savings that Congress seeks.

### ELUSIVE CANDOR

Proposition 187, in its most important provisions, constitutes perverse public policy that has come at a politically propitious moment. Responsible leadership should recognize the practical and moral arguments against these provisions and should concentrate on setting immigration limits that we are prepared to enforce.

But from where will such candor come? Certainly not from the likes of California Governor

Wilson. During the debate over the Immigration Reform and Control Act of 1986 (IRCA), which enacted employer sanctions and legalized over 2 million undocumented workers, then-Senator Wilson held the fragile legislative compromise hostage until he won approval of programs increasing the number of "temporary" farmworkers available to California's growers. By ensuring that the agricultural amnesty and guest worker programs were so open ended that the INS could not prevent widespread fraud, Wilson enabled hundreds of thousands of undocumented workers to enter and work in the state. Although most of them are now legalized, they were subsequently joined by their spouses and children who are and will presumably remain illegal for some time and who are major consumers of the public services that Wilson sought to limit under Proposition 187.

Only ten days after Proposition 187 was approved, Wilson reverted to his 1986 ways by proposing to the Heritage Foundation that still more "temporary" workers be imported to harvest California's crops. Wilson surely knows that Proposition 187 could have dire practical consequences for his state, and he may secretly hope that an activist court will rescue him by striking it down. Reliance on such a judicial *deus ex machina* exposes the ideological expediency of many court-bashing conservatives of Wilson's stripe.

In truth, some immigration advocates haven't been much more forthright. After working tirelessly and effectively to stymie INS enforcement, they now express wonder and dismay when the public demands swift, heavy-handed responses to this complex problem. They insist that aliens who enter surreptitiously should be called "undocumented" rather than "illegal" because their legal status remains uncertain for months or years during which the aliens can usually obtain work permits—an uncertainty that is largely the product of the advocates' own skillful manipulations of an increasingly vulnerable administrative system.

As long as policy elites continue to evade realities and responsibilities, restrictive measures such as Proposition 187 will flourish. But misguided though such measures are, they do have at least one salutary effect: forcing us to consider anew what it means for the U.S. to be a nation of immigrants at a time when the core values of legality, national sovereignty, and self-reliance are under extraordinary pressures from within and without. □

HEATHER R. MCLEOD

# The Sale of a Generation

On a blustery March day in 1993, as the worst blizzard in a hundred years descended on Washington, D.C., a small group of young people in their twenties convened at a downtown hotel, worried that something as uncontrollable as the weather might postpone their long-planned retreat. They were originally scheduled to meet at Harper's Ferry, chosen for its proximity to the capital and symbolic value as the site of John Brown's slave rebellion. But, when the snowfall closed most roads, the group made a last-minute switch to another site redolent with symbolism: Hickory Hill. The Kennedy clan's storied Virginia home—volunteered by aspiring youth politician Douglas Kennedy, the youngest son of Robert Kennedy—made a perfect backdrop with its portraits of the youthful John Kennedy hanging on the walls and an original copy of the Emancipation Proclamation in the tiled foyer.

The meeting was the first attempt to put a political face on the hot "Generation X" concept. Fueled by Douglas Coupland's novel *Generation X* (which coined the phrase), films such as *Slacker*, and cover stories in *Time* and *U.S. News and World Report*, the media had crafted an image of a generation of 18-to-30 year-

## WORKS DISCUSSED IN THIS ESSAY

Jon Cowan and Rob Nelson, *Revolution X* (Penguin Books, 1994)

Neil Howe and Bill Strauss, *13th Gen: Abort, Retry, Ignore, Fail?* (Vintage Books, 1993)

Eric Liu, ed., *Next: Young American Writers on the Next Generation* (W.W. Norton, 1994)

Paul Loeb, *Generation at the Crossroads* (Rutgers University Press, 1994)

olds who were lazy, ironic, obsessed with '70s television, and distrustful of ideas and institutions. Tired of the negative rap, the participants hoped to issue a declaration that could serve as a catalyst for launching a new generational political group called Third Millennium. It would be the 1990s counterpart to the 1962 Port Huron Statement of Students for a Democratic Society—but with a different slant. Convinced that most twentysomethings were socially liberal and fiscally conservative, the group sought to forge a "post-partisan" political agenda from the fractured views of the new generation. What better way to capture the media spotlight than to turn a negative spin on its head, heralding the arrival of the anti-slackers?

"Like Wile E. Coyote waiting for a 20-ton Acme anvil to fall on his head, our generation labors in the expanding shadow of a monstrous national debt," the manifesto declared. And then

while touching on issues like education, economic revitalization, and the environment, presumably to provide "post-partisan" appeal, the authors called for sweeping solutions: "change our attitude toward government; allow no new net spending; limit entitlement spending; fund programs that work; combat waste, fraud, and abuse; and streamline government."

Not surprisingly, the manifesto fizzled. "When you get past the rhetorical sound and fury," Michael Grunwald wrote in the *Boston Globe*, "you realize that as a political document, the declaration signifies practically nothing."

Nonetheless, many participants in the conference have forged ahead, shaping themselves into self-proclaimed leaders of the emerging Gen X culture. The primary result of this effort has been a series of books. Rob Nelson and Jon Cowan, founders of a group known as Lead or Leave, recently published a 13-point political agenda called *Revolution X*. Eric Liu, the editor of an underground 'zine of twentysomething politics, has edited a more insightful collection of essays called *Next*. Rounding out the threesome is *13th Gen*, coauthored by Bill Strauss, who was lurking in the background at Hickory Hill and who—many suspected—had conceived of Third Millennium

as a means of promoting his own conservative agenda and the sales of his book.

These books and one other, Paul Loeb's *Generation at the Crossroads*, claim to portray the politics and interests of twentysomethings today. Unfortunately, the books say more about the political interests of their authors than about what young people in America think and feel. Set on a spotlight stage where every gesture is made with the electronic media in mind, the play unfolds: Characters spew soundbites, posture, and compete for the celebrity role of "leader." They play to the cameras, offering themselves as embodiments of fashionable caricatures. But, as would-be leaders, they do not create organizations or movements with any genuine political life.

**A**mong the pied pipers of the right trying to lead twentysomethings into the next millennium are Neil Howe and Bill Strauss. Howe and Strauss are actually in their forties, but like many graying actors, they are not about to let age bar them from leading roles as kids. *13th Gen* presents the same arguments as their previous book *Generations* but pitches the concepts to twentysomethings, or "13ers"—the thirteenth American generation since the Pilgrims landed at Plymouth.

The packaging of *13th Gen* is a prototype of Gen X marketing. The book has a neon-embossed cover and graphic illustrations of stereotypical twentysomethings—flipping burgers, trying to add up the change in the cash register, transporting messages

on mountain bikes—plus lots of boxes with statistics and factoids assembled in user-friendly computeresque form. Even more gimmicky are the critical comments from a "crasher" intercepting the text. He responds to their thesis that generations define history: "I just can't think of it like that, all these boundaries, cut and dried relationships, weird grudges. I don't want to be part of this great big play. All the actors make me sick"—as if by deconstructing their own arguments, Howe and Strauss could make them more believable.

But look under the target-marketed cover and you'll find a set of political beliefs that have nothing to do with age. Howe and Strauss's basic thesis is simple and familiar. While seniors suck the marrow from our bones through Social Security, baby boomers have stuck the next generation with the bill from their '80s parties, and they don't understand their younger siblings to boot.

"LISTEN UP DUDES!" the authors write, attempting to be hip with their "X'er" vernacular. "Where earlier twentieth-century generations could comfortably look forward to outpacing mom and dad, you'll be lucky just to keep up. . . . What went wrong and why? It's a simple formula really. Take a generation of kids, give them crumbly families that don't allow them much time to learn skills that aren't immediately useful; give them inferior schooling to tarnish their reputation for competence; surround them with media that teach them to distrust any institutional avenue to career success. Then, when they're all ready to enter

the adult labor force, push every policy lever conceivable—tax codes, entitlements, public debt, unfunded liabilities, labor laws, hiring practices—to tilt the economic playing field away from the young and toward the old."

But like many complaints that government only helps "them," this rings hollow. The tax code and labor laws are not tilted against the young. Although public spending on behalf of the elderly has expanded since the 1960s, the young distinctively benefit from spending on education and public investments intended to help them find and hold jobs. So it's hard to understand why Howe and Strauss believe that what young people need, above all else, is less government.

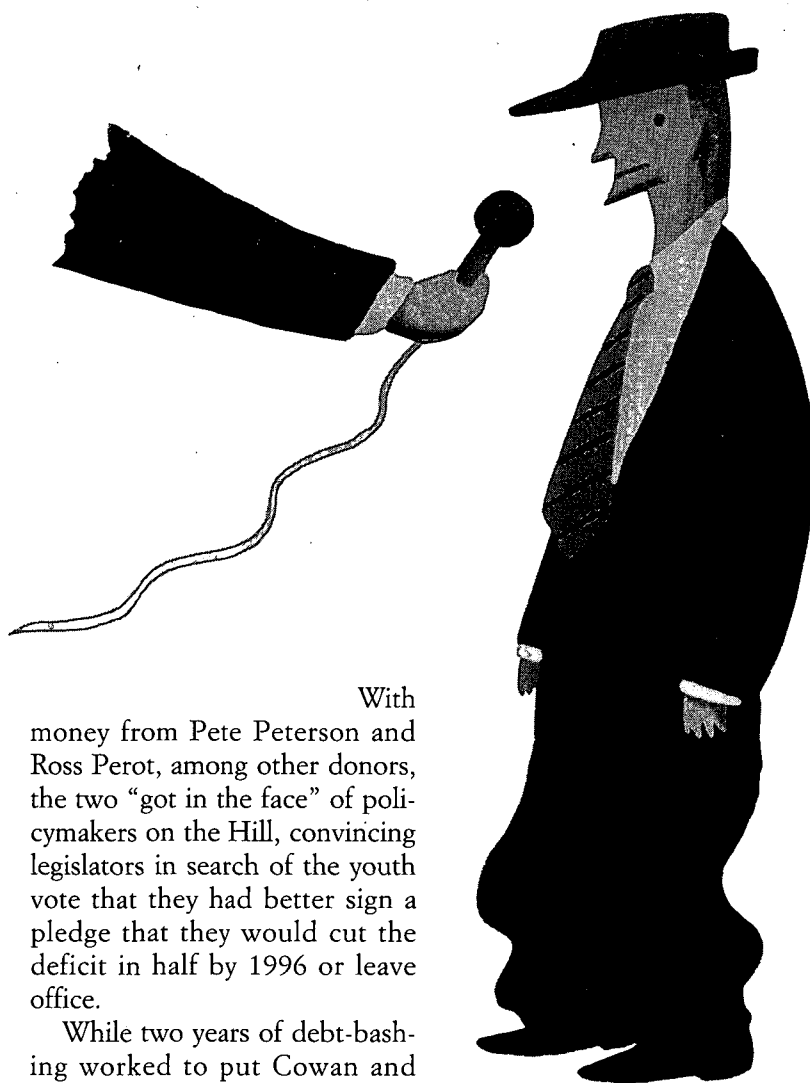
Howe and Strauss were preaching the same sermon before it was translated into hipster slang and repackaged as a generational manifesto. During the '80s, Howe was closely affiliated with a group called Americans for Generational Equity that lobbied for cuts in Social Security. Founded by Paul Hewitt, an aide to David Durenberger, then a Republican senator from Minnesota, AGE's membership consisted of corporations and its board included members of the business community and conservative think tanks. Money came from corporations like Exxon, American Cyanamid, and General Motors and from groups like the National Federation of Independent Business. But AGE never caught on with the boomers it aimed to rouse. The group folded in 1990.

Enter Lead or Leave.

**T**he pivotal chapter of Revolution X, Lead or Leave's manifesto, begins with apocalyptic imagery reminiscent of the movie Blade Runner. America has been crippled by a foreign power that has invaded to "darken our skies with toxic chemicals, infect hundreds of thousands of us with a deadly disease, plunge one-third of our children into poverty and homelessness, confiscate much of our income, and hollow out our cities and schools, turning them into war zones." This all happens "by the year 2000" no less—all because of the \$4.5 trillion national debt.

Provided that we survive through the year 2000, Cowan and Nelson have an even greater apocalypse in store for 2011: the Attack of the Killer Baby Boomers. That year most boomers "will stop working, many will stop paying taxes, and all will start gobbling up pensions and health care benefits." This, the authors tell us, could result in the collapse of our economic infrastructure, causing a "shock wave [that] will blast people from their homes, rapidly plummet millions into poverty, and threaten the economic security and financial stability of our entire nation."

*Revolution X* carries the same message of debt hysteria and generational war as *13th Gen*, put forth by only slightly more authentic front men. For the first two years after founding Lead or Leave, Cowan and Nelson seemed to talk about nothing but the debt, appearing on talk shows and the covers of national magazines as the self-proclaimed "voices of a new generation."



With money from Pete Peterson and Ross Perot, among other donors, the two "got in the face" of policymakers on the Hill, convincing legislators in search of the youth vote that they had better sign a pledge that they would cut the deficit in half by 1996 or leave office.

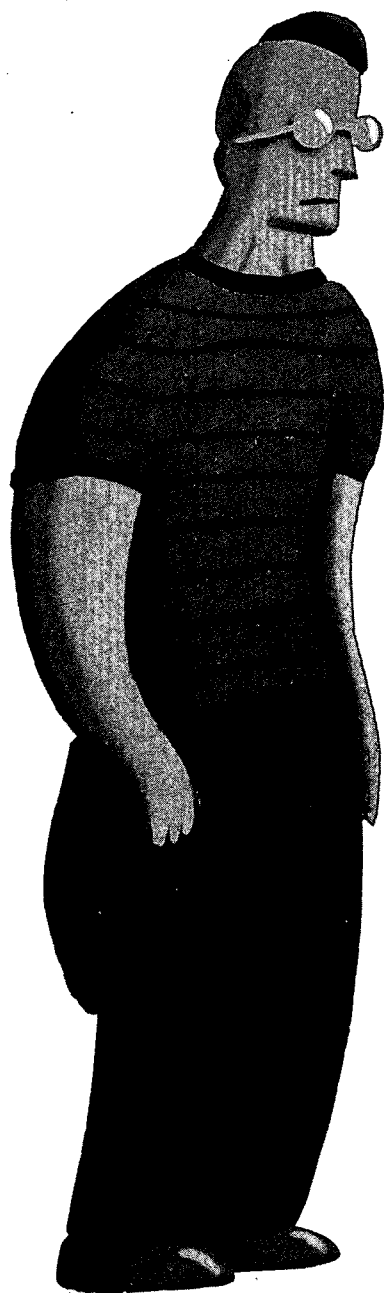
While two years of debt-bashing worked to put Cowan and Nelson in the media spotlight, it didn't seem to resonate as well with young folks outside the Beltway who didn't get or didn't buy their economic arguments about how their parents and grandparents were ripping them off. So Cowan and Nelson followed that eternal dictate of politics: give the people what they want, or at least appear to. Padding out their book is a chapter listing exactly thirteen challenges for 13ers, in yet another debt to their mentors Howe and Strauss.

Among these challenges,

Cowan and Nelson list: Create Good Jobs, Protect the Planet, Control Crime, Prevent AIDS, Reinvent Social Security, Design a Post-Cold War Military, Make Education Affordable, Give Equal Rights to Gays, Help End Homelessness, Guarantee Freedom of Choice, Trim America's Budget, Win Affordable Health Care, Reform Our Politics. Many of these require activist government, which costs money. But if the number one priority is eliminat-



ing the deficit and paying off the national debt, new initiatives are inconceivable. The authors' simplistic fixation on the deficit leaves no room for any other considerations. And their larger call for generational warfare would alienate many potential allies.



Maybe this is why they remain so vague about their approaches to solving national problems. They urge twentysomethings to learn about the issues, vote, join an organization, wear a slogan on a T-shirt. These preachings ring hollow. Though they call themselves the "largest grassroots college/twentysomething organization in the country," claiming to have more than one million members and chapters at over 115 colleges and in every state, their organization has no paying membership and compiles its numbers by counting the student populations at colleges where the group has managed to win over at least one local, unelected representative. In a triumph of banality, they urge young people to "get off our butts and take a stand for our common future." If the next generation ever produces another Kennedy, these two are not going to be writing his speeches.

**F**or those left unsatisfied by Lead or Leave's Cliff's Notes, reading Paul Rogat Loeb's *Generation at the Crossroads* fills in some of the gaps; it is an intelligent, thoroughly researched, historically informed analysis of recent shifts

from apathy to action on American campuses. Yet while it differs from the previous two books in that it is not the blueprint for a revolution—Loeb, a journalist in his forties, has no Pied Piper aspirations—this book is no less ideological. Loeb's rhetoric is decidedly old New Left, with jabs at corporate America, consumer culture, media hegemony, and the "p.c./red-baiting" of the right.

To research the book, Loeb visited more than 100 campuses from 1987 to 1993, where he lectured on peace and justice issues, spent "time with [students] at their dorms, apartments, fraternities, sororities . . . their marches, sit-ins, and political meetings" and volunteered with them in soup kitchens. His book tells personal stories from some of the more than 5,000 students he interviewed and expounds upon his larger theories about the causes and implications of apathy and activism among the young. Loeb refuses to believe that young people have become "almost pathologically selfish, greedy, apathetic, and unconcerned with higher ideals."

Little surprise, Loeb finds that the media created and perpetuated many of these "slacker" myths. "The allegiances of this generation are complex. Distant media reporting doesn't always catch the contradictions," he writes. For example, "In November 1990 the *New York Times* ran a major article, '90's Teen-Agers Echo 60's Spirit,' on the resurgence of high school protests. The same week the *Wall Street Journal* announced the 'GOP Generation' and heralded the new conservatism of the young."

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As Loeb explores the complexity underlying these myths, the reader is taken on an intriguing journey—albeit with several detours and a few long, winding paths.

Loeb attributes student apathy during the 1980s not to greed or indifference, but to the fact that young people “had come of age under the sway of political, cultural, and economic currents that convinced citizens in general to seek personal well-being over a common social good.” He spends several chapters exploring other obstacles to activism: the increasing cost of higher education; the need of many students to earn money for school or their family; the lack of support and encouragement from faculty and university administrations that discourage explicit political and moral judgment; a cultural climate that stereotypes and denigrates activists of the ’60s; and a lack of awareness of past social movements and political history that denies students “models of sound political strategies, ways to engage communities, and effective styles of leadership.”

But in the course of his research, Loeb found a critical mass of students breaking through these barriers. These leaders encouraged others to get involved and created enough momentum to sustain a growing national movement. He writes of Barb Meister, a student at the University of Nebraska who went from not voting and not caring about political issues to starting Farm Action Concerns Tomorrow’s Society (FACTS) to help preserve family farming. He recounts the now near-mythic walk of Harvard graduate Wayne Meisel from campus to campus

in the Northeast promoting community service, which led to the founding of the Campus Outreach Opportunity League (COOL) in the mid ’80s. And Loeb details the 1987 founding of Greeks for Peace by a concerned fraternity brother and sorority sister at the University of Michigan who wanted to overcome negative images of Greeks, end conflict in Central America, and encourage others to volunteer on issues of concern.

Loeb makes a real contribution to the popular understanding of young people in America. But he refuses to address conservative activism in anything other than its most extreme forms. Though he blames the right for caricaturing the left, Loeb reduces campus conservatives to a few think tanks, college newspapers like the *Dartmouth Review*, and the worst of the p.c.-baiters like Dinesh D’Souza. Where were all the students who voted for Reagan and Bush and also did volunteer work through churches or religious programs?

Only in Eric Liu’s book, *Next*, can the reader finally encounter twentysomethings themselves—unanalyzed, uncensored, unmediated, unplugged. The picture suggests a generation that is difficult to squeeze into any political niche. In the essays, 16 writers between the ages of 24 and 32 reflect on living with AIDS, courtship by fax and dating in the post-feminist ’90s, the loss of heroes, nihilism, pornography, the American promise of opportunity, pop culture, and much else related in one way or another to finding one’s way in a mixed-up,

media-dominated, postmodern world.

Although Liu should have hit the delete key more often in editing several of the essays, the book does afford the writers a freedom to voice their own experiences and challenge stereotypes of twentysomethings. The range of essays adds a rare moment of authenticity to the debate about what it means to be twentysomething in America today.

As Liu, a former White House speechwriter who is now at Harvard Law School, reflects in his introduction, these writers do not attempt to be the “voice of a generation,” even though they are “brought together by a certain sensibility” and share an “outlook—media-savvy, worldly-wise, conscious of our diversity—that derives not only from our youth but from our place in history.” After all, he writes, “We were born after the baby boom—‘after it all happened.’ After Vietnam. After the civil rights movement. After the women’s movement.”

This fixation with being born in a “post” world echoes throughout the essays. Nearly all of the writers reference or address their feelings about baby boomers and the history that preceded them. “To onlookers, especially to those who are a bit older, our dinner conversation must seem like a strange melange of sarcastic jokes, misused clichés, and completely unrelated movie quotes,” quips Ian Williams. “We have become masters of ironies, mockeries, and satires, unrelentingly cynical, drawn by the macabre and, of course, the absurd.”

Echoing this irony, David



Greenberg—one of the few liberals present at Hickory Hill and now managing editor of the *New Republic*—writes of the boomers: “They had the free speech movement; we get political correctness. They had ‘Turn on, tune in, drop out’: we get ‘Just say no.’ They had communes; we get Melrose Place. They had Apollo; we get the Challenger. They had the pill; we get AIDS.” He goes on, “Thus our crippling paradox: We try to escape history only to find that escaping history is a trap. Forging the future is a thing of the past.” Or as Williams puts it, quoting a character in the late-’80s high school film *Pump up the Volume*, “All the great themes have been made into theme parks.”

The theme of identity resounds throughout the book.

Paul Beatty writes of growing up in East Los Angeles: “We quickly learned that the world is gang related. Each of us, whether we like it or not, rolls with a multiplicity of identity poses, which leapfrog into position depending on the situation.” David Bernstein reflects on being black, Jewish, and conservative. Liu, a first-generation Asian American, remembers being called a “banana” by his sister—“yellow on the outside, but white on the inside.” But he also recalls, “As a kid, I could play Thomas Jefferson in the bicentennial school play one week, and the next week play the poet Li Bai at the Chinese School festival.”

While some of the authors touch on politics or ideology, most of them keep returning to

personal experience, as if everything “out there” had become too complicated and overwhelming, too big and abstract. All the talk of gender, race, class, and sexuality might seem to fit the mantra of the ’60s, “The personal is political.” But this generation seems to make the political personal; it’s allergic to generalizations. Irony becomes self-defense against the pain of wounded idealism; pop culture references become metaphors for real life; self-mocking replaces consciousness-raising as the political stance of choice.

Ultimately, the subjective narratives in Liu’s book come closer to telling the “truth” about twentysomethings than any thinly veiled political dogma ever could. But this retreat into subjectivity leaves many questions

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unanswered about the possibilities of generational politics—indeed, any politics. In his essay, Greenberg alludes to the Hickory Hill meeting: “Despite the talk of transcending ideology, a lot of the group was well aware that the ‘end of ideology’ was a generation-old concept. Acting anew, then, turned out to be quite old.”

**A**ll the more reason that the next generation needs genuine intellectual and political leadership that can embrace complexity without succumbing to it: a leadership that does not reduce the world to simple “either/or” and “us/them” dichotomies in order to understand the right and the good. All the more reason for new stories that will inspire, sustain, and give

context to young people’s lives and the choices they face.

These leaders are creating themselves. Across the country, young people are waking from their TV-induced slumber. They are rediscovering moral and political commitment, giving it a new, pragmatic spin by asking: What can I do here, now, to make a difference? They are taking the first steps of activism by getting involved in community service, teaching diversity workshops, tutoring one child and seeing the impact on that child’s life. Though they may be turned off to national politics, cynical about the role of government, and terribly ironic, they care about their world. And they value a new style of leadership that connects and engages people rather than divides them, that

celebrates the whole rather than one identity group.

Their stories are too often excluded from the public dialogue. Even more than in the 1960s, the mainstream media, as Todd Gitlin wrote of the era, “cover the event, not the condition; the conflict, not the consensus; the fact ‘that advances the story,’ not the one that explains it.” And so the only antidote we have to the slacker myth is a bunch of pissed-off guys who are more interested in being portrayed as generational gurus on TV than in doing the hard work, much less the clear thinking, that politics requires. But there are other stories, still half written, and those who write and live them may yet tell a different tale about the next generation and the next century. □

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S.M. MILLER AND KAREN MARIE FERROGGIARO

# Class Dismissed?

The competition to enact a "middle-class tax cut" is only the latest pursuit by the two parties of what the Democratic Leadership Council has called the Holy Grail of American Politics. But who is really middle class? Speaker Gingrich includes families with incomes up to \$200,000 a year, or 99 percent of American households. His supporters assert that those unwilling to recognize that lofty income as middle class are pursuing class warfare. President Clinton's tax cut would reach incomes up to \$75,000, still almost 90 percent of families. Clinton's educational proposal provides tax deductions for families making as much as \$120,000, or about 95 percent of families.

This improbable inclusiveness reflects the great American refusal to confront class. There is a pervasive belief among political analysts and in popular mythology that America is a deeply middle-class country. This belief tends to confuse aspiration with condition. Political opinion oscillates between holding that "classes don't exist in the U.S." and that "almost all Americans feel that they are middle class"—a peculiar way of denying the importance of class by using the idea of class.

Assumptions about middle-class America are at the very center of the Democratic Party's feckless search for ideology and

strategy. According to President Clinton's influential pollster, Stanley Greenberg, 90 percent of Americans think of themselves as middle class and have attitudes that reflect middle-class thinking. If that is truly the case, perhaps a tax cut for 90 (or 99) percent of Americans makes sense. But if 90 percent believe they are middle class, that includes many in the lowest quintile, whose average income is under \$7,000. It also includes families above the 90th percentile, with incomes of at least \$113,000 for a family of four. Do these widely divergent Americans truly have the same view of their economic situation? It seems unlikely.

These misleading claims about class affect both the public and politicians. If indeed most Americans believe they are middle class and share converging perceptions of how well they are doing, politicians will feel forced to operate within a narrow band of policy options. Both parties will compete to offer variations on essentially similar policies. But if a great many Americans actually consider themselves working class, vulnerable, and downwardly mobile, a middle-class political rhetoric may reinforce their feeling that politics excludes them.

## PERSISTENCE OF CLASS

The idea that almost all Americans think they are middle class

is reminiscent of a similar claim more than a half century ago. In 1940, *Fortune* reported a finding from a Roper poll that the overwhelming majority of American males regarded themselves as middle class. This conclusion became the received wisdom, only a few years after Franklin Roosevelt declared that one-third of Americans were ill fed, ill housed, and ill clothed, at a time when the unemployment rate was still more than 14 percent.

Surprised by the celebration of the *Fortune* report, the social psychologist Richard Centers analyzed polls conducted in 1945 and 1946 by the Office of Public Opinion Research at Princeton University. In his book, *The Psychology of Social Classes*, Centers reported that when men were given a choice of lower class, working class, middle class, or upper class, 51 percent chose working class and 43 percent said that they were middle class. Three percent said upper class and only 1 percent identified themselves as lower class. The Roper poll had given respondents an open choice in describing themselves; it was the poll's analysts who had grouped them into the categories upper class, middle class, and lower class. But when Centers added working class it turned out to be the self-identification of half of American men.

Centers also demonstrated that class identification made a differ-

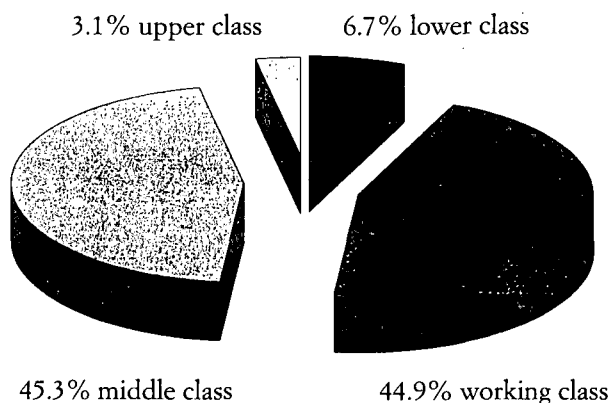
ence in people's views of a variety of economic and political issues. For example, Centers asked whether the role of government was "to make it certain that there are good opportunities for people to get ahead on their own" or "to guarantee every person a decent and steady job and standard of living." Middle-class identifiers tended to have a more restrictive view of government than did working-class identifiers.

Nonetheless, the notion of the United States as quintessentially middle class and homogenous in outlook worked its way into popular writing and scholarship. This bias only deepened with the postwar boom, as even poor Americans seemed to share in economic prosperity. But in fact, twenty years after the postwar boom ended, Americans continue to identify themselves according to class much the same way they did in 1940. The General Social Survey of the National Opinion Research Center (NORC) in Chicago, a comprehensive storehouse of annual or biannual data on American attitudes, provides a test of class identification. It asks male (and now female) respondents to choose among upper class, middle class, working class, or lower class. Results sharply contradict the assertion of a big middle-class tent.

As can be seen in the graph above, less than half of Americans in 1993 identified themselves as middle class (45.3 percent), while working-class identifiers amounted to 44.9 percent. (Polls conducted by the Survey Research Center of the University of Michigan show that somewhat more Americans call

## THE MYTH OF THE MIDDLE CLASS SOCIETY

"Question: If you were asked to use one of four names for your social class, which would you say you belong to?"



Source: National Opinion Research Center

themselves working class than upper middle class when they are given only a choice of these two categories.) The lower two categories are more numerous than the two higher ones (51.6 percent to 48.4 percent). Women, not surprisingly, are more likely to choose lower class and less frequently upper class than are men.

NORC studies of class identification in the 1970s and '80s demonstrated the same general profile of Americans' class identification. While we shouldn't put too much credence on changes over one or two years, differences in NORC findings between 1991 and 1993 are also worth noting. In 1991 only 5.4 percent identified as lower class, while in 1993, 6.7 percent did; middle-class identifiers declined from 49.3 percent to 45.3 percent. Upper-class identifiers, however, increased from 2.3 percent to 3.1 percent. More people felt poor and more people felt rich, but fewer felt middle.

**W**ho identifies as working class? As we would expect and as in Centers's day, those with lower incomes are much more likely to call themselves working or lower class. It is only when incomes are 20 percent above median family income that an overwhelming majority say they are middle or upper class. Only those with a bachelor's degree or more schooling had a large majority choose the middle class label. In that amorphous category of "some college," only 1 percent more identified as middle class than working class. Occupation followed a similar pattern: A majority of those in blue-collar (70 percent), service (60 percent), and clerical jobs (just over 50 percent) put themselves in the lower or working class. In sum, the selection of a working-class identification does not appear capricious. It conforms largely to what we would deduce from the objective

income, educational, or occupational characteristics of respondents.

In 1993 nearly half of NORC respondents who said that their financial situation had worsened over the past year identified as working class, while somewhat more than a third of those whose situation had worsened called themselves middle class. Conversely, more than twice as many middle-class as working-class identifiers report satisfaction with their financial situation.

As in Centers's study, attitudes on the government's role in improving economic well-being differ by class identification. Fifty percent more working-class than middle-class identifiers believe the U.S. spends too little on Social Security, while almost two-thirds of the middle class feels the U.S. spends too much on Social Security. The differences on welfare are not as great

but still noticeable: 47 percent of working-class compared to 35 percent of middle-class identifiers believe that the U.S. spends too little.

In the political arena, slightly more working-class identifiers say they are Democrats or Democrat-leaning than Republicans or Republican-leaning; among middle-class identifiers 10 percent more declare that they are Republicans or Republican-leaning. Working and lower-class identifiers comprise over half of the large majority with weak partisan affiliations. If one is looking to increase the numbers who vote Democratic and support activist government, the hunt should be among those who identify as working or lower class.

#### A CLASS ACT?

The NORC picture of American self-descriptions about class has profound political

implications. It helps explain why Gingrich trumps conservative Democrats in a politics that is mainly about the affections of the actual middle and upper class.

This country, it turns out, is not so homogeneous in either outlook and or situation. Nor is it old-fashioned to use a term like working class, for many Americans describe themselves just that way. And, as the NORC data suggest, not only are there large numbers of people who feel they are not doing well economically; these people also tend to want an activist government.

Gingrich's characterization of the middle class plays to Republican strength. It implies that people struggling at the median income of \$37,000 a year or less face the same situation as people with five times that income. But among Democrats, the politics of false inclusion promotes uncertainty and confusion. It suggests

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to at least half the party's potential base that Democrats fail to sympathize with their perceived condition and have little to offer.

Thus if Democrats promote a tax cut for a broadly defined middle class out of the false belief that nearly everyone feels middle class, they deplete government revenues that would provide tangible benefits for a substantial (and widely ignored) working class that actually supports activist government. Because working-class people have incomes too low to pay much tax, they also get less benefit from the "middle-class tax cut" approach.

The Democratic Leadership Council (DLC) and its offshoot, the Progressive Policy Institute (PPI), narrow and mystify who or what is their middle class. Various DLC papers and speeches urge the Democratic Party to concentrate on "the heart of the middle

class," or on "the forgotten middle class," or on "the broad undifferentiated middle class."

The income range of the middle class varies among DLC-PPI writers. Alvin From, president of the DLC, believes that in New Jersey the income range of the middle class is between \$50,000 and \$100,000, which would exclude the bottom 60 percent of families and include some who are quite affluent. Other PPI writers such as William Galston and Elaine Kamarck use somewhat different income limits. But what is clear in all of these accounts is that there is little room for the party's true traditional base of working-class identifiers. In Washington opinion-leader circles, \$50,000 may feel like a minimally decent middle-class income, but it is actually more than what two-thirds of American families earn.

The NORC findings about

class do not mean that working- and middle-class identifiers clash on every issue. But they hardly suggest converging attitudes either. The DLC-PPI story is profoundly misleading, especially for Democratic Party strategy, when it suggests that murkily defined "average income" Americans produce homogeneous "social values and moral sensibilities" that the party should emphasize in its broad themes.

Assertions that we are almost all middle class, or that only a limited middle class deserves electoral attention, lead Democrats to embrace essentially Republican views of government. The "middle class" strategy also has the unfortunate effect of further dividing what was once a coalition of working class and poor, and creating a false affinity between working class and affluent. DLC-style middle-class

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rhetoric suggests policies from which all except the demonized welfare poor will gain. This approach reinforces the false imagery of common interests and positions among working, middle, and upper class. When actual policies do not produce equal gains, and those with lower incomes typically lose out, anger grows and political support evaporates.

#### THE VANISHING MIDDLE

A middle, of course, implies a higher and a lower. In the U.S., high-income groups are becoming even wealthier, while average family income is stagnating and declining. Partly as a result of this capture of economic gains by the upper brackets, the cost of what seems a normal American standard of living is increasing. For example, 20 years ago an average-priced car required a third of an average family's income; today, it takes more than half.

By broadly defining almost everyone as part of an elusive and mythical middle class, both Democrats and Republicans are ignoring the fact that not only do many Americans define themselves as working class, but also that many who are reported as saying they are middle class or aspiring to it are falling further behind.

Another barrier to a realistic view of income classes in the U.S. is the official poverty line, which is pegged at too low a level. [See John E. Schwarz and Thomas J. Volgy, "Social Support for Self-Reliance: The Politics of Making Work Pay," *TAP*, Spring 1992, No. 9.] Even if not officially defined as poor, people between the poverty line and 80 percent of the median income derive most of their income from work, not from transfers, and are definitely not able to reach middle-class levels of living.

At the other end, those fami-

lies with incomes above \$75,000, two times the median, but below, say \$200,000, are well-to-do or upper middle class. Between the poor and lower-income groups, on one side, and the \$75,000-and-above classes, on the other, stand a variety of middling categories, many of whom are in tight economic circumstances or suffering considerable income insecurity. These groups have markedly differing views of their own condition and of politics.

It is not unexpected that the Republican Party would blur these distinctions. It is odd to find Democrats doing the same. One can debate the precise income cutoffs and other variables needed to understand today's class distinctions. Calling (almost) all of us middle class while denigrating the welfare poor neglects the needs of the half of the population who continue to regard themselves as working or lower class, or only insecurely middle. □

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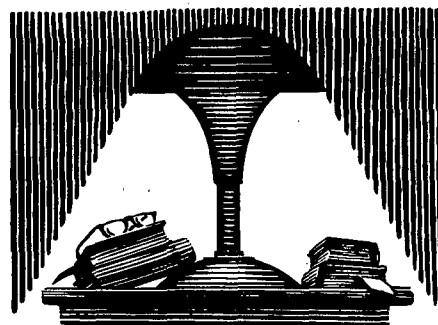
from Nadine Strossen

**President, American Civil Liberties Union**

Author, *Defending Pornography: Free Speech, Sex, and the Fight for Women's Rights*  
(Scribner)

DEBORAH A. STONE

# Sex, Lies, & *The Scarlet Letter*



Once when I was about nine, I wandered into my aunt's kitchen during Thanksgiving to find all the grown-up women whispering, hugging, and crying. When they explained to me what was going on (Auntie Cookie had just found out she was going to have another baby and they were crying from happiness), they confirmed a story I already knew—the one about how babies just happen, and women to whom they happen are considered very lucky. How else to explain the crying? A few years later, when my friend Phyllis told me her parents were “trying to make” another baby, I had the crashing revelation that human actions create babies.

Reading about unwed mothers and welfare these days, I can't help but think the nation is in need of a crash course in sex education. According to an article by Barbara Dafoe Whitehead in the *Atlantic Monthly* last October, we've got lots of public school sex education programs, but they're teaching the wrong thing. Under the guise of “family life education,” she wrote, the programs are just ideological bearers of the sexual revolution of the sixties, encouraging anything-goes sexuality for young people. Whitehead thinks there should be more straight talk about the downside of teen pregnancy and illegitimacy, especially

for girls, because “girls bear the burdens and penalties of non-conjugal sex.”

But Whitehead herself betrays some of the mindset that generates this unequal burden. She describes all the bad consequences for teenage girls who “get pregnant,” “find themselves pregnant,” and “experience pregnancy.” The boys and men in this article “have sexual encounters” and “experiences.” She thinks (quite sensibly) it's important to understand what motivates teen girls to get pregnant, but utters not a word about what motivates their male partners to want or not want to make children.

Whitehead's article got me thinking about that great American textbook of sex education, *The Scarlet Letter*. Even those who haven't read it know its central image: An adulterous woman is forced by her community to wear a scarlet letter “A” as a sign of her depravity and a foreboding lesson to other women.

Nathaniel Hawthorne's parable about hypocrisy and punishment is set in the early days of Puritan America, two centuries before its publication in 1850. It opens with one of the most memorable images of social stigma ever printed on the page: Hester Prynne is led from a prison door, carrying an infant and wearing a

scarlet “A” she has meticulously embroidered. She mounts a platform in the public square—Hawthorne pointedly calls it a “scaffold”—where she is reviled and remonstrated by the townspeople. Although the punishment might have been seen as mere ridicule in his day, Hawthorne says, in Puritan New England it was “invested with almost as stern a dignity as the punishment of death itself.” And indeed, adultery was punishable by death in those days, had the officials really wanted to throw the book at her.

*The Scarlet Letter* is much more than a metaphor for searing stigma. Hester Prynne and her daughter Pearl are the archetypal unwed mother and illegitimate child in American social history. Before the story begins, we learn, Hester had been married in Europe to a dried-up, pretentious, academic sort who sent her ahead to America, intending to follow. He got hung up pursuing his fruitless studies, and after a couple of years, everyone, including Hester, presumed he lay dead at the bottom of the sea. Hester and her minister—yes, Puritan minister—Arthur Dimmesdale, had fallen in love and had relations. Hester had Pearl. Mr. Dimmesdale had a crisis of conscience. What Mr.

Dimmesdale never does have as the story progresses is the courage, or necessity, to own up to his adultery or his fatherhood.

While Hester is forced to stand for hours before the censorious community, Governor Bellingham directs Dimmesdale to use his priestly persuasive powers on Hester to make her name the child's father. According to the notes in my edition, Hawthorne's prototype for his fictional governor and upholder of the law was a real Massachusetts governor of the same name. In 1641 Bellingham married a woman already betrothed to a friend of his and performed the ceremony himself in a rush job, so as to avoid going through the required publication of marriage intentions. When asked to step down from the bench during an inquest about his breach of law, he refused.

Thus, Hawthorne shows us "a people amongst whom religion and law were almost identical," inflicting a punishment equivalent to death on a woman, through the offices of their minister and their governor, each of whom has transgressed the same laws for which Hester is to be banished from human society.

Hester pays dearly for her and Dimmesdale's love. Unlike him, she cannot conceal the fact of her adulterous sex because she cannot hide her pregnancy. She cannot flee from the fact of her motherhood because the child is in her and issues from her. And she cannot escape parenthood, because no one else is going to take care of the child and child abandonment is frowned upon. Dimmesdale pays, too, but his is

## The double standard of *The Scarlet Letter* still prevails.

a very private penance. He is eaten by guilt and dies near the end of the novel.

What about Pearl? She is marked from the get-go, presumed by the Puritans to be the child of the devil. Even Hester absorbs the social view that nothing good can issue from a woman who was in a state of sin when the child was "imbibing her soul." So naturally, Pearl turns into a child who "cannot be made amenable to the rules." She is wild and seems to be part animal, part demon, all of which is to say she is definitely not fully human. She does eventually grow up to lead an apparently prosperous life—but only by escaping from her home and living in England.

So it is today with what is now called the illegitimacy problem: The stigma of nonmarital sex, the identity as biological parent, and the work of child rearing almost always fall on the women. In the absence of an omniscient narrator, the fathers often remain invisible, at least to the public eye. Like Pearl, illegitimate children are regarded as predestined to a life of waywardness. Now, however, we cite statistical probabilities instead of the devil as the cause of their propensity to crime, drug abuse, dropping out of school, going on the dole, and having more out-of-wedlock children.

Many conservatives seem to have adopted *The Scarlet Letter* as a primer on what to do about

illegitimacy. Mothers of illegitimate children should be heaped with scorn for neglecting, abandoning, and abusing their children. They are irresponsible and

immoral for "getting pregnant," as though they did it all by themselves. (In Hawthorne's Puritan Salem, at least, Dimmesdale would have been held equally responsible and immoral, had he been found out.) The way to deter people from having illegitimate children is to do what Salem did to Hester: prevent the mothers from receiving any social succor. Thus, the Republican Personal Responsibility Act would eliminate AFDC eligibility for young women who bear children outside marriage, and it would preclude any additional monies for women already on AFDC who bear another child.

The double standard of *The Scarlet Letter* still prevails. Both the Republican and Democratic versions of welfare reform pay lip service to holding fathers more accountable, but both treat mothers far more harshly. Mothers on AFDC will be required to work at paid jobs, anywhere from 18 hours a week (Clinton's Work and Responsibility Act) to 32 or 35 hours (the Republican Personal Responsibility Act). Both plans, like Governor Bellingham, talk tough about establishing paternity. Mothers will have to cooperate with the state in identifying fathers and establishing paternity. The Republican bill, strikingly, does not add a thing to existing child support enforcement tools or provisions. Neither bill sets up work requirements, much less job programs, for fathers.

So beyond identifying more fathers, what will welfare reform do to men? At its toughest, it might succeed at getting the courts to order more child support, but whether it will get more money to kids is another question. Nothing in the Republican reforms creates more jobs, more job stability, or higher wages for men. (States would, however, be allowed to use money they would otherwise spend for food stamps to subsidize private sector jobs.) And under the current system of child support enforcement, which both welfare bills would merely extend, all but \$50 of any child support paid by fathers goes to the state, not to the mother or children. No matter how much fathers contribute under this system, the financial position of their kids does not improve by more than \$50 a month. And perhaps even more important, nothing in the contemplated welfare reforms is addressed to increasing fathers' involvement with their kids. Because most of the father's payments go to the state, the system doesn't even give dads the psychological satisfaction of helping their kids.

**P**art way through *The Scarlet Letter*, Hester and Pearl have one of those quintessential conversations about where Pearl "came from" that might have been a lesson in family values, had Hester not felt the pressing need to protect Pearl's father. Hester drills Pearl: "Tell me then, what thou art and who sent thee hither?" Pearl demurs, so Hester offers the correct answer: "Thy Heavenly Father sent thee." Pearl is having none of it: "He did not send me. I

have no Heavenly Father." She begs her mother, "Tell me, tell me."

Then Hester gets wind of a plan to take Pearl away and put her in the care of the state. Some of the good Christians of the town, it seems, had concluded that "if the child were really capable of moral and religious growth . . . then surely it would enjoy all the fairer prospect of these advantages by being transferred to wiser and better guardianship than Hester Prynne's." Hester takes Pearl to the Governor's mansion to plead her case. There she has an audience with Governor Bellingham, Arthur Dimmesdale, and another minister named Wilson.

Bellingham commands Wilson to determine whether Pearl has had a Christian upbringing. Wilson quizzes her: "Canst thou tell me, my child, who made thee?" Pearl knows the correct answer as well as she knows the rest of the catechism, but she also knows it isn't true. In a moment of impish perversity, she says her mother plucked her from a rose bush. That does it. She is obviously "unsocialized," as the current rhetoric would have it. She will be taken from Hester and put in care of the state. And here's the pain of it: The very lie that Hester has maintained to preserve the authority of church and state and to protect the good name of Dimmesdale becomes the source of Pearl's resistance and the evidence of Hester's unfitness as a mother.

Dimmesdale, true to character, remains silent during this little child welfare hearing—until, that is, Hester rises up in a fury and commands him to speak on her

behalf. He has the gall to bring the authority of the church down on Hester once again, this time to her advantage. He speechifies about God's purpose in sending this "child of its father's guilt and its mother's shame" as retribution and even a "torture" to the mother, to remind her of her sin. Hester gets to keep the kid because the church, the minister, and the dad all say punishment is good for her soul.

**T**he great lie here—that bad children were created by bad mothers and that fathers and social policies bear little responsibility—is the same lie that justifies taking children away from their mothers. It's bad enough that these unwed mothers take support from the government. (Never mind, as Katha Pollitt said so eloquently in *The Nation*, that AFDC is merely replacing the cash support the fathers ought to be providing.) But many of them turn out to be bad mothers to boot. Even with all the money we taxpayers give them, they still don't feed their children properly, supervise them, discipline them, or give them quality time. Their kids would be better off in the care of the state. Better an orphanage than a neglectful and abusive mother.

There are, certainly, a whole lot of children who are ill cared for, neglected, and abused, and who would probably be better off in some kind of group home for young unwed mothers or boarding school for kids. But why are their mothers—the ones who do feed them, watch them, and spend time with them at all—the only parents who are bad? In most cases, if unwed



mothers spent as little time with their kids as unwed fathers do, we would call it abandonment. Why do we look for solutions by focusing on the character and behavior of the mothers, while ignoring the fathers?

Lest anyone doubt how lax our norms for fatherhood are, let them look at child support awards among divorced couples. Fathers are generally ordered to pay only a small proportion of their income in child support, and the portion declines as the man's income rises. Around half of fathers who are ordered to make child support payments do not make them after the first year or so, and courts do next to nothing about enforcing the awards. Since we don't hold middle class and affluent fathers to any standard of decent support for their children, how do we expect to convey norms of financial responsibility to the poor? Apparently, through brute force. We have a much more aggressive child support enforcement system for poor men, and we exact a much higher portion of their incomes than we do for middle- and upper-income men in divorce cases.

**B**y the time she is seven, Pearl comes to know on some level that Dimmesdale is her father. Once, Hester and Pearl come upon Dimmesdale in the middle of the night. He is standing on the scaffold where the three of them once stood together. He beckons them to join him, and they all hold hands in a moment of electric intensity. "Minister," implores Pearl, "wilt thou stand here with mother and me, to-morrow noon-

tide?" "Nay, not so," replies Dimmesdale, backpeddling furiously as the import of public recognition hits him. "I shall indeed stand with thy mother and thee one other day, but not to-morrow." Pearl tries to pull her hand away, but Dimmesdale hangs on. She begs for acknowledgment and commitment, for a promise that Dimmesdale will take her and her mother's hands in public. She tries to pin him down to a date. Pushed into a corner, he names "the great judgment day." "The daylight of this world shall not see our meeting," he says.

Near the end of the novel, Hester meets Dimmesdale in the woods and tries to persuade him that the three of them should return to Europe, where they could live out the love that "had a consecration of its own." She tells him he has repented enough, and casts off her patch with the scarlet "A." Then she begins performing that primal task of motherhood—helping members of a family to get along, to care for one another, to love each other. "Thou must know Pearl, our little Pearl," she tells him. Dimmesdale worries that Pearl won't warm up to him or trust him. "She will love thee dearly, and thee her," Hester assures him. But Pearl, summoned now to join Hester and Dimmesdale, goes into a "fit of passion" and refuses to come until Hester dons the scarlet "A" again.

Hester gives a classic speech, the one women always give their children when bringing a new man into the family or when trying to reintegrate a prodigal father: "He waits to welcome thee. . . . He loves thee, my little

Pearl, and loves thy mother too. Wilt thou not love him? Come! He longs to greet thee!" Pearl has been burned before. If he really loves her, she wants proof. She wants Dimmesdale to act like a father and husband. "Doth he love us?" she asks, staring into her mother's eyes. "Will he go back with us, hand in hand, we three together, into the town?" Once again, the adults tell her a deeper truth that contradicts all their previous words: "Not now, dear child."

**B**arbara Whitehead says that a "truly fact-based approach" to sex education would have to teach some hard truths. Schools would have to teach that unwed teenage parenthood is often bad for kids, that "not all families are equally capable of caring for children," and that love cannot make up for a lack of long-term commitment, responsibility, and sacrifice on the part of parents. Whitehead glimpses the dilemma here: how to teach such lessons without stigmatizing children who do grow up in broken homes or in unwed teenage families?

The dilemma is much more profound than Whitehead imagines, though, because the facts are far more cruel than she acknowledges—and crueler than children ought to bear. Are we really willing admit to ourselves, let alone teach our kids, that some parents are less fit than others? That poor and less-educated parents are not as capable of giving their kids a good life as those in a higher socioeconomic station? That all children are not born equal? That some adults beat their kids and are terrible

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parents in this and other ways, but they're allowed to have kids anyway?

**W**e can't teach children these lessons, not so much because they would stigmatize some kids, as Whitehead says, but because they would challenge some fundamental liberal principles about equal opportunity and about the sacrosanct privacy of the family. But we can, I think, try to teach adults a few things.

**Lesson One:** Children are not (*pace* Dimmesdale) to be used, or worse, brought into existence, as punishment for their sinful parents and object lessons to other errant souls. Unfortunately, this seems to be the premise behind state laws requiring pregnant minors to get parental permission for abortions. If we think minors are too immature to make a good decision about whether to have a child, they are surely too immature to be a good parent. So why make them have a child, if not to teach them a lesson? ("She made her bed, now let her lie in it," is an all-too-frequent adult answer.) If we truly want parents to make commitments and take responsibility for their children, why do we place so many obstacles in the way of abortion for young girls and women who know they and their children's fathers can't be responsible parents?

**Lesson Two:** Supporting and caring for children are two different things, and in many ways incompatible. One requires earning money to buy food, clothing, and shelter. The other requires cooking and feeding, doing the laundry, cleaning the floors,

never letting an infant out of your sight, cooing and cuddling, and numerous other activities not calculated to get you in good with your employer. We have historically had a division of labor in two-parent households because it's pretty near impossible to be out earning money and in minding the kids at the same time. Working moms make a go of it nowadays only by farming out much of the caring part of the job to someone else—their mothers and sisters, preschools, day care, and nannies. But we fault poor single mothers for not doing either thing well—supporting or caring—when doing both well is next to impossible and when middle-class and married mothers don't do it all themselves anyway.

Work requirements are counterproductive to welfare reform's professed goal of improving parenting. Moreover, giving poor mothers a little help with child care is not, as many Republicans would have us believe, going to undermine Western civilization, or even motherhood.

**Lesson Three:** DNA does not a father make. Current welfare reform proposals would beef up state bureaucracies for producing more DNA tests, more paper paternity acknowledgments, and more paper designations of fathers' wages as child support. This system creates no incentives for biological fathers to act like fathers. We need to restructure the child support system so that mothers, fathers, and kids all know and see how fathers' economic contributions help the kids. This may mean letting fathers' contributions make an AFDC family much better off if

they have a contributing father (or two) than if they don't. It might mean giving fathers credit for time they spend with kids, as well as for the cash they contribute. (Perhaps once they recognize the value of men's caring time, legislators will be forced to credit women for caring time, too.) And it might mean sacrificing some of the budget relief provided by the current system of siphoning off fathers' payments for the state. But if the theory of economic incentives that now drives so much of welfare reform is applied with equal rigor to mothers and fathers, we will have to make these changes.

As it stands, the Personal Responsibility Act encourages states to spend money on mandatory parenting and money management classes for mothers. A welfare reform bill that was serious about repairing the fractured family would also encourage states to spend money on programs to teach responsible fatherhood. Such programs would have to emphasize the personal satisfactions that come with knowing and raising your children, instead of preaching a financial obligation devoid of personal relationships. They would also have to confront honestly the problem of domestic violence, since violence is a major reason why many mothers want neither time nor money from their children's fathers.

**Lesson Four:** Babies don't just happen. It takes a male and a female. . . . In the search for people whose motivations we might better understand, and whose character and behavior we might reform, there are two places to look. □

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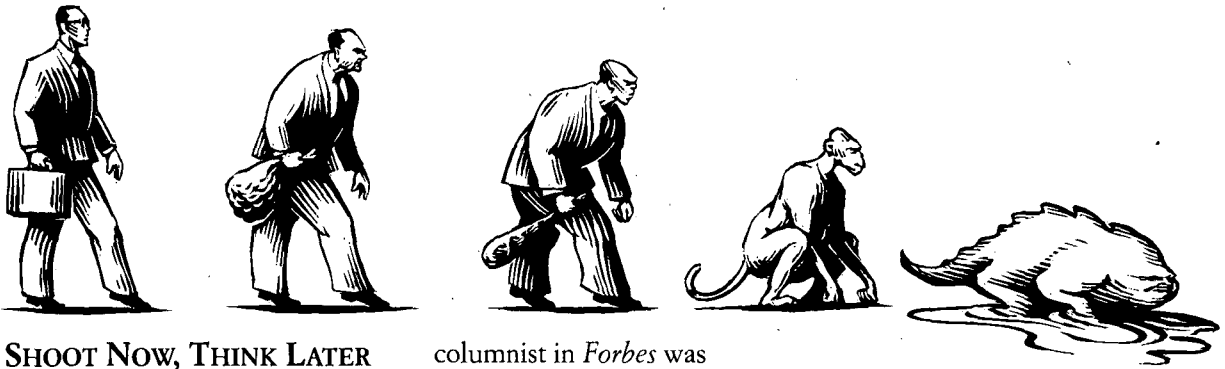


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## SHOOT NOW, THINK LATER

Conservatives everywhere are trying to outdo each other. Cut off welfare after two years? Make that just 60 days in some states. End social benefits to illegal immigrants? Make that legal immigrants too. Add the death penalty for some federal crimes? Why not for more?

Revolutions often set off this kind of spiral. According to the *New York Times*, when a right-wing talk radio host in California recently proposed offering bounties to people who shot illegal immigrants after they crossed the border, a caller suggested shooting Mexicans *before* they entered the U.S. so Americans wouldn't have to pay for the funerals.

Finally a right-winger who believes in prevention.

## JUST COMPENSATION

In the debate over NAFTA, Michael Kinsley proposed compensation for Americans who lost \$16-an-hour jobs to Mexicans making \$3 an hour. A

columnist in *Forbes* was unmoved. "Here we have an American who has for years charged the rest of us \$16 for something we ought to have been able to buy for \$3," wrote Steven E. Landsburg, who teaches economics at the University of Rochester. "Fairness dictates that he and others who have benefited from protectionism compensate the majority of their countrymen . . . who have borne the burden." And so, quite logically, Professor Landsburg proposed that "every American who loses his job as a result of NAFTA should have a portion of his assets confiscated by the U.S. Treasury. The proceeds can be used to fund a general tax cut."

As an academic, Professor Landsburg will doubtless appreciate the logic of a related idea proposed a number of years ago to set taxes, not according to what people earn, but according to their earning potential. A professor of economics, for example, could clearly be making much more money income on Wall Street but must be remaining in academic life only for other equally valuable, but untaxed benefits, such as long vacations. Obliging Professor Landsburg to pay taxes on his true total income, equal to that of an investment banker, will not be only more equitable; it will

inspire him to earn more money and therefore help the economy grow faster.

The IRS will be waiting for his check.

## ALTERNATIVES TO PUBLIC TELEVISION

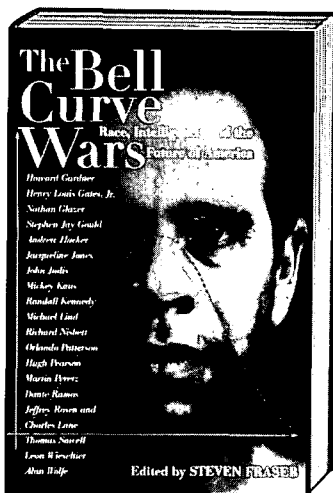
The new Republican crime bill requires states to toughen up their prisons, but some state legislators want to go further. In February, three Tennessee Republicans introduced a bill to allow canings on courthouse steps, and an Arkansas House committee is working on a bill to reinstate public hanging.

Of course, public punishment was one of the earliest forms of public entertainment, going back to crucifixions and stonings. And with PBS being cut back, it only makes sense for Republicans to look for alternative forms of government-sponsored entertainment, especially those like caning and hanging that reinforce good conservative themes. Court TV is fine, but it stops just where Punishment TV could pick up. The only question is whether this is really an appropriate function for the public sector. Jones Intercable, which carries Newt Gingrich's college course, recently expressed an interest in buying PBS. That could solve the whole problem. □

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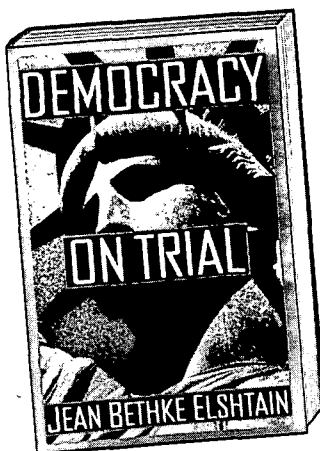
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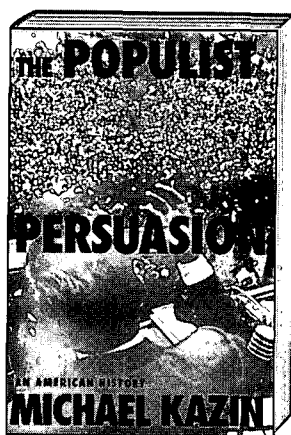
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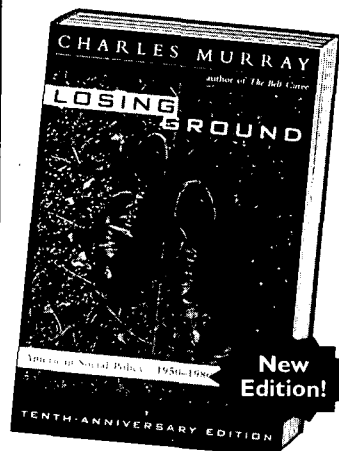
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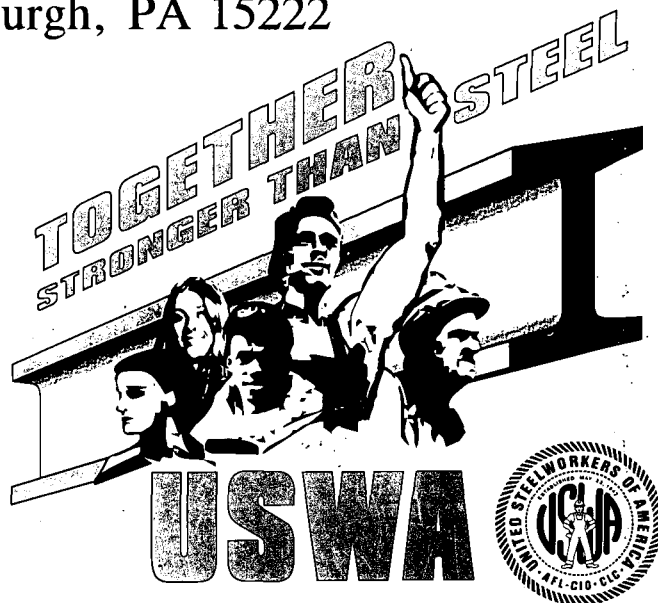
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